CNBM

China National Building Material Company Limited*

(Stock Code:3323)

2012

Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December		
	2012	2011	Growth rate
		(RMB in millions)	
Bank balances and cash	**10,222**	9,738	5.0%
Total assets	**246,434**	158,395	55.6%
Equity attributable to equity holders	**30,496**	26,332	15.8%
Earnings per share-basic *(RMB)*	**1.03**	1.48	-30.4%

	For the year ended 31 December		
	2012	2011	Growth rate
		(RMB in millions)	
Revenue	**87,218**	80,058	8.9%
Profit after taxation	**7,737**	10,746	-28.0%
Profit attributable to equity holders of the Company	**5,580**	8,015	-30.4%
Net cash flows from operating activities	**10,017**	12,054	-16.9%
Sales volume of cement and clinker *(in thousand tonnes)*	**220,884**	183,588	20.3%
— China United	**61,740**	61,188	0.9%
— South Cement	**98,835**	101,733	-2.8%
— North Cement	**17,612**	15,524	13.4%
— Binzhou Cement	**3,598**	2,169	65.9%
— Southwest Cement	**38,400**	2,974	1,191.3%
Commercial concrete sales volume *(in thousand m^3)*	**31,151**	3,188	877.1%
— China United	**14,006**	759	1,745.7%
— South Cement	**16,153**	1,963	722.9%
— North Cement	**629**	449	40.1%
— Southwest Cement	**274**	17	1,485.7%
Gypsum board *(in million m^2)*	**1,053**	877	20.1%
Revenue from engineering service *(RMB in millions)*	**6,067**	6,890	-11.9%
Rotor blade (in blade)	**3,507**	3,538	-0.9%
Glass fibre yarn *(in thousand tonnes)*	**793**	747	6.2%

Selling price			
Cement sold by China United *(RMB per tonne)*	**266.7**	295.9	-9.9%
Clinker sold by China United *(RMB per tonne)*	**236.0**	278.4	-15.2%
Commercial concrete sold by China United *(RMB per m^3)*	**303.7**	325.1	-6.6%
Cement sold by South Cement *(RMB per tonne)*	**265.5**	340.1	-21.9%
Clinker sold by South Cement *(RMB per tonne)*	**218.7**	316.5	-30.9%
Commercial concrete sold by South Cement *(RMB per m^3)*	**294.5**	312.5	-5.8%
Cement sold by North Cement *(RMB per tonne)*	**366.2**	327.9	11.7%
Clinker sold by North Cement *(RMB per tonne)*	**309.1**	285.6	8.2%
Commercial concrete sold by North Cement *(RMB per m^3)*	**353.0**	304.9	15.8%
Cement sold by Binzhou Cement *(RMB per tonne)*	**387.1**	400.3	-3.3%
Clinker sold by Binzhou Cement *(RMB per tonne)*	**308.5**	287.3	7.4%
Cement sold by Southwest Cement *(RMB per tonne)*	**250.5**	282.4	-11.3%
Clinker sold by Southwest Cement *(RMB per tonne)*	**248.0**	257.3	-3.6%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**305.7**	265.5	15.2%
Gypsum board			
— BNBM *(RMB per m^2)*	**7.09**	7.22	-1.8%
— Taishan Gypsum *(RMB per m^2)*	**4.94**	5.05	-2.3%
Rotor blade *(RMB per blade)*	**375,900.0**	389,500.0	-3.5%

Contents

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

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

Shareholders may send their request at any time to receive the Annual Report and/or to change their choice of the means of receipt of Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. As at 31 December 2012, the Company has a total issued share capital of 5,399,026,262 Shares.

The Group is mainly engaged in cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2012), the Group is:

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

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Huang Anzhong
Cui Lijun

Independent Non-executive Directors

Qiao Longde
Li Decheng
Ma Zhongzhi
Shin Fang
Wu Liansheng

STRATEGIC STEERING COMMITTEE

Song Zhiping *(Chairman)*
Qiao Longde
Cao Jianglin

NOMINATION COMMITTEE

Qiao Longde *(Chairman)*
Li Decheng
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Li Decheng *(Chairman)*
Shin Fang
Song Zhiping

AUDIT COMMITTEE

Wu Liansheng *(Chairman)*
Ma Zhongzhi
Cui Lijun

SUPERVISORS:

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

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives:	Song Zhiping Chang Zhangli
Alternate Authorized Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code:	100037
Place of Representative Office in Hong Kong:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong

Corporate Information *(Continued)*

Principal Bankers:	Bank of Communications Co., Ltd. Agricultural Bank of China Limited Shanghai Pudong Development Bank Co., Ltd.
PRC Legal Adviser:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor, 625 King's Road, North Point, Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Room 208, Building B of Huatong Mansion No. 19 (Yi), Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code:	3323
Company Website:	http://cnbm.wsfg.hk www.cnbmltd.com

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

Baker Tilly China	天職國際會計師事務所(特殊普通合夥)(Baker Tilly China Certified Public Accountants, formerly known as Vocation International Certified Public Accountants (special general partnership))
"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Beijing Huachen"	北京華辰普金資產管理中心(有限合伙)(Beijing Huachen Pujin Asset Management Center (Limited Liability Partnership))
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Materials Group Company Limited)
"BNBM Ningbo"	寧波北新建材有限公司 (BNBM Ningbo Company Limited)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNBM Zhaoqing"	肇慶北新建材有限公司 (BNBM Zhaoqing Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass 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)

Definitions (Continued)

"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd)
"CNBM Trading"	中建材集團進出口公司 (China National Building Material Import and Export Company)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the PRC
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission)
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the director(s) of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"EPC"	turn-key project services that include design, procurement and construction etc.
"Five C"	marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralisation
"GDP"	gross domestic product
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guangwang Machinery"	四川廣旺集團建材機械有限公司 (Sichuan Guangwang Group Building Material Machinery Company Limited)

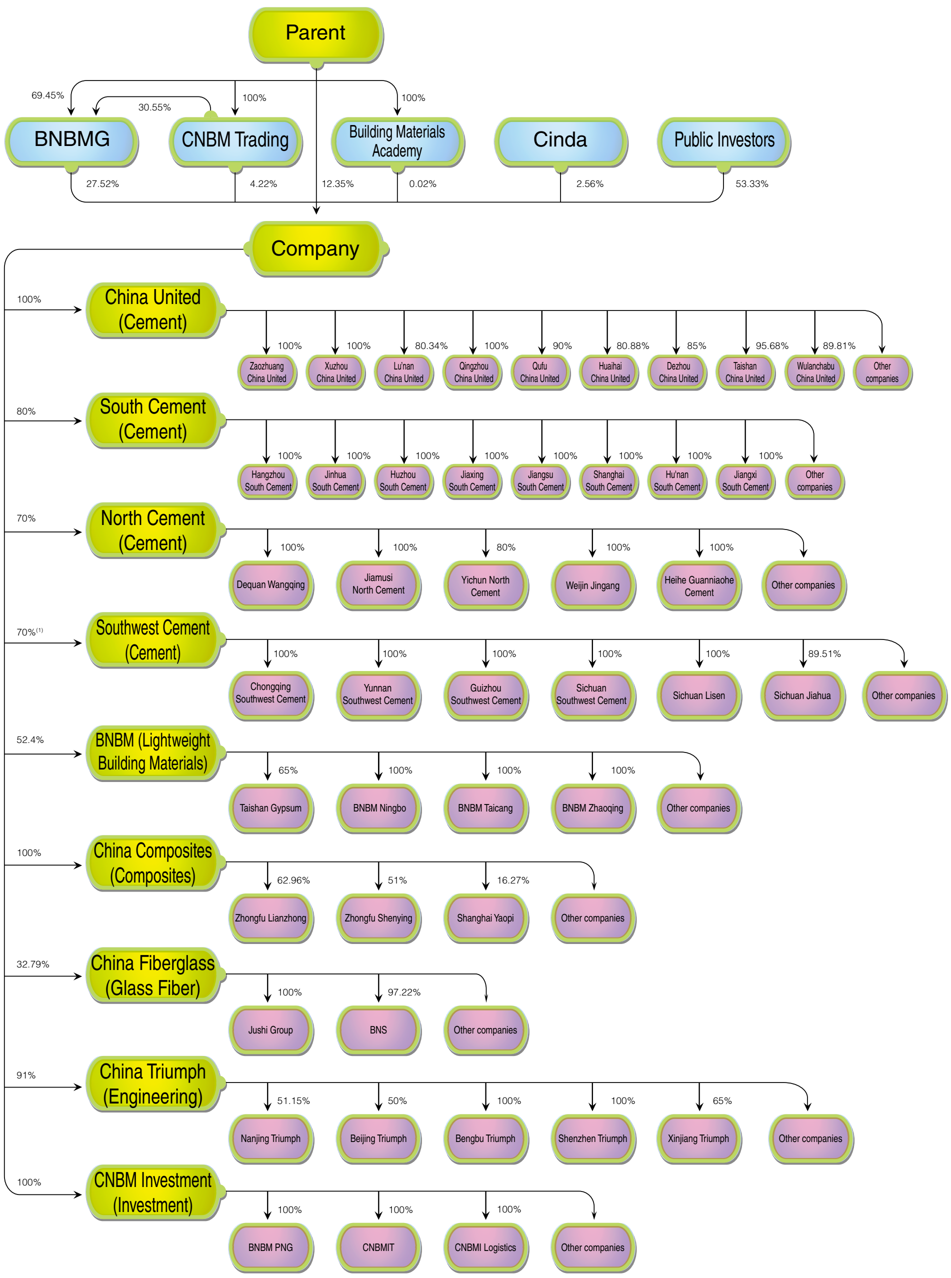
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Heihe Guanniaohe Cement"	黑河關鳥河水泥有限責任公司 (Heihe Guanniaohe Cement Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"Huzhou South Cement"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Huaihai"	including (but not limited to) southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu Julong"	江蘇巨龍水泥集團有限公司 (Jiangsu Julong Cement Group Company Limited)
"Jiangsu South Cement"	江蘇南方水泥有限公司 (Jiangsu South Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jiaxing South Cement"	嘉興南方水泥有限公司 (Jiaxing South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)
"Jinhua South Cement"	金華南方水泥有限公司 (Jinhua South Cement Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)

"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
''MIIT''	Ministry of Industry and Information Technology of the People' Republic of China
"Mining Rights Transfer Contract"	the mining rights transfer contract dated 28 December 2012 entered into between Jiangsu Julong and Huaihai China United
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"Non-Competition Agreement"	the non-competition agreement dated 28 February 2006 entered into between the Company and the Parent, which is stated on pages 155 to 157 of the prospectus of the Company
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"Northern China"	including (but not limited to) Heilongjiang, Jilin and Liaoning
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Panzhihua Coal Cement"	攀枝花攀煤水泥製品有限公司 (Panzhihua Coal Cement Products Company Limited)
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PCP"	PCP, Price-Cost-Profit
"PRC"	the People's Republic of China
"Promoters"	the initial promoters of the Company, being Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)

"Reporting Period"	the period from 1 January 2012 to 31 December 2012
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Yaopi"	上海耀華皮爾金頓玻璃股份有限公司 (Shanghai Yaohua Pilkington Glass Co., Ltd.)
"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 Jinda"	深圳京達股權投資管理有限公司 (Shenzhen Jinda Equity Investment Management Company Limited)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Coal Cement"	四川川煤水泥股份有限公司 (Sichuan Coal Cement Company Limited)
"Sichuan Lisen"	四川利森建材集團有限公司 (Sichuan Lisen Group)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group) Co., Ltd)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"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", "state", "PRC Government" or "PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the members of the supervisory committee of the Company

"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"18th NCCPC"	the 18th National Congress of the Communist Party of China
"'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
"Three New"	new building materials, new homes and new energy materials
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xinjiang Triumph"	新疆凱盛建材設計研究院 (Xinjiang Triumph Building Materials Designing Institute)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司 (Zhongfu Shenying Carbon Fiber Company Limited)

The simplified structure of the Group as at 31 December 2012 is set out as below:



Note:

The sum of the percentages of holdings may differ from the total amount thereof due to rounding.

(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%.

Financial Highlights

The summary of financial results of the Group for 2012 and 2011 is as follows:

	For the year ended 31 December	
	2012	2011
	(RMB in thousands)	
Revenue	**87,217,629**	80,058,470
Gross profit	**20,128,462**	21,316,592
Profit after taxation	**7,736,986**	10,745,739
Profit attributable to equity holders of the Company	**5,579,601**	8,015,074
Distribution made to the equity holders of the Company	**1,160,791**	502,109
Earnings per share — basic *(RMB)*(1)	**1.03**	1.48

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2011 and the weighted average number of 5,399,026,262 shares for 2012.

	As at 31 December	
	2012	2011
	(RMB in thousands)	
Total assets	**246,433,547**	158,395,218
Total liabilities	**202,368,700**	120,784,056
Net assets	**44,064,847**	37,611,162
Non-controlling interests	**13,568,749**	11,279,394
Equity attributable to equity holders of the Company	**30,496,098**	26,331,768
Net assets per share weighted average *(RMB)*(1)	**5.65**	4.88
Debt to assets ratio(2)	**57.9%**	54.2%
Net debts/equity ratio(3)	**300.5%**	202.4%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2011 and the weighted average number of 5,399,026,262 shares for 2012.

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

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

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

Business Highlights *(Continued)*

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)*	**36,117.9**(1)	3,075.3
Production volume-clinker *(in thousand tonnes)*	**28,109.9**(2)	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 thousand m^3)*	**274.3**	17.3
Unit selling price-commercial concrete *(RMB per m^3)*	**305.7**	265.5

Notes:

(1) This figure is attributable to the periods in 2012 during which the relevant subsidiaries had been acquired by, or remained subsidiaries of, Southwest Cement and replaces the figure (which represented the full year) as disclosed on page 30 of the Company's announcement dated 22 March 2013 in respect of its annual results for the year ended 31 December 2012.

(2) This figure is attributable to the periods in 2012 during which the relevant subsidiaries had been acquired by, or remained subsidiaries of, Southwest Cement and replaces the figure (which represented the full year) as disclosed on page 30 of the Company's announcement dated 22 March 2013 in respect of its annual results for the year ended 31 December 2012.

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.

SONG ZHIPING
Chairman
Executive Director

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 increase profit, 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 competitiveness and reward our Shareholders and the society with outstanding results.

Song Zhiping
Chairman of the Board

Beijing, the PRC
22 March 2013

CAO JIANGLIN
President
Executive Director

BUSINESS OVERVIEW

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

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests held by the Company
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%.

BUSINESS OVERVIEW *(CONTINUED)*

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 advantage 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.

BUSINESS OVERVIEW *(CONTINUED)*

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 profit. 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 to deteriorate the problem of production overcapacity, 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 consolidation 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 m^3. 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 profit. 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.

CEMENT SEGMENT *(CONTINUED)*

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 profit improvement.

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 m^3.

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 m^3.

CEMENT SEGMENT *(CONTINUED)*

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 m^3.

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 profit improvement.

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 gypsum board industrial group in the world.

BNBM adhered to the principle of “big customers, big orders, big projects”, leveraged on the synergy advantage 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 concept 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 AND COMPOSITE MATERIALS SEGMENT *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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 profit 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 2011. 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 cement companies for the year ended 31 December 2012 and their respective percentage in China United.

		Total amount in China United
	RMB in millions	*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.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

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

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

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.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

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

FINANCIAL REVIEW *(CONTINUED)*

Southwest Cement *(Continued)*

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 profit 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.

FINANCIAL REVIEW *(CONTINUED)*

Southwest Cement *(Continued)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW *(CONTINUED)*

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.

FINANCIAL REVIEW (CONTINUED)

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.

FINANCIAL REVIEW *(CONTINUED)*

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

FINANCIAL REVIEW *(CONTINUED)*

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 the 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.

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 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 profits.

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 development 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 the field of green economy, recyclable economy and low-carbon economy, so as to accomplish energy saving and consumption reduction meanwhile to increase overall economic benefits.

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.

I. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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.

II. THE BOARD

During 2012, the Board of the Company held 6 plenary Board meetings to consider and determine events including general corporate strategy and major financing, major acquisition and merger matters. All Directors attended the meetings in person or by proxy. The management is responsible for the implementation of strategies and administration work related to daily operations.

The members of the Company's Board and the attendance of the Directors at Board meetings during the year are as follows:

Position	**Name**	**Attendance rate** *(%)*	**Meetings attended/held**
Executive Director *(Chairman of the Board)*	Song Zhiping	100	6/6
Executive Director	Cao Jianglin	100	6/6
Executive Director	Peng Shou	100	6/6
Executive Director	Cui Xingtai	100	6/6
Executive Director	Chang Zhangli	100	6/6
Non-executive Director	Guo Chaomin	100	6/6
Non-executive Director	Huang Anzhong	100	6/6
Non-executive Director	Cui Lijun	100	6/6
Independent Non-executive Director	Qiao Longde	100	6/6
Independent Non-executive Director	Li Decheng	100 (16.7 of which by proxy)	5/6 (the remaining one was attended by proxy)
Independent Non-executive Director	Ma Zhongzhi	100 (16.7 of which by proxy)	5/6 (the remaining one was attended by proxy)
Independent Non-executive Director	Shin Fang	100 (16.7 of which by proxy)	5/6 (the remaining one was attended by proxy)
Independent Non-executive Director	Wu Liansheng	100 (16.7 of which by proxy)	5/6 (the remaining one was attended by proxy)

There is no finance, business, family relationship(s) or any other material connection between Directors including between the chairman and the chief executive.

III. FUNCTION AND OPERATION OF THE BOARD

The Board of the Company is elected by shareholders at general meeting and reports to general meeting. The Board is the highest decision-making authority during the adjournment of general meeting. The primary responsibilities of the Board are to provide strategic guidance to the Company, exercise effective supervision over the management, ensure that the Company's interests are protected and report to the shareholders. The Board makes decisions on certain significant matters in the operation of the Company, including business plans and investment proposals; the proposed annual preliminary and final financial budget; the debt and financial policies and proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures; interim and annual financial reports; interim and annual profit distribution plan and proposal for provision of indemnity for losses; significant matters involving material acquisition or disposal proposals of the Company and plans for the merger, division or dissolution of the Company; the establishment of the Company's internal management structure; the appointment or removal of the general manager of the Company and the appointment or removal of vice general manager and chief financial officer subject to the nomination of the general manager and determination of their remuneration; the formulation of basic management systems including financial management and personnel management systems; and the formulation of the revision plan for the Articles of Association. The directors are elected in strict compliance with the procedures for election and appointment of the Directors provided for in the Company's Articles of Association. The Directors are able to attend board meetings and perform their duties as Directors prudently and diligently in order to make important decisions for the Company and supervise the members of the executive levels of the Company. After the Board makes decisions, the implementation of specific matters will be completed by the management of the Company and the management will be required to report such implementation to the Board.

The Company has established a system of independent Directors. There are five independent non-executive Directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive Directors to be independent from the Company, its substantial shareholders and connected persons and in full compliance with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Wu Liansheng, an independent non-executive Director of the Company, has appropriate accounting and financial management expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for Mr. Wu Liansheng's biographies. The five independent non-executive Directors do not hold other positions in the Company. They protect the interests of the minority shareholders independently and objectively so as to duly serve their roles, and provide checks and balances in the decision-making process of the Board according to the Articles of Association of the Company and the requirements of the relevant laws and regulations.

IV. DIRECTOR'S CONTINUOUS TRAINING AND DEVELOPMENT

In compliance with the Listing Rules and the New Code and to ensure that the Directors' contribution to the Board remains informed and relevant, the Company has arranged and funded suitable training for the continuous professional development of the Directors such as holding seminars and providing them with learning materials. In the light of the amendments to the Listing Rules and relevant legislations in relation to the disclosure of inside information and the implementation of the New Code in 2012, the Company's lawyer has prepared detailed analyses on these amendments to enable the Directors to understand the latest development on a timely and accurate manner, so that they can perform their duties in compliance with the relevant legal and regulatory requirements. The Company also held business seminars in 2012 for the Directors, the Supervisors, and the senior management of the Company through which they had the opportunities to conduct research on and learn about the current economic environment and the development of the cement industry. The timely and effective trainings helped enhance the Directors' understanding of their duties so that they can make appropriate and informed decisions on the Company's management based on a more accurate understanding of the relevant laws and regulations and the industry's development. All Directors of the Company, namely, Song Zhiping, Cao Jianglin, Peng Shou, Cui Xingtai, Chang Zhangli, Guo Chaomin, Huang Anzhong, Cui Lijun, Qiao Longde, Li Decheng, Ma Zhongzhi, Shin Fang and Wu Liansheng have attended the above-mentioned trainings, and been provided with the above-mentioned learning materials through which their knowledge and skills were further developed and refreshed to ensure their contribution to the Board remain informed and relevant.

V. CHAIRMAN AND THE PRESIDENT

Mr. Song Zhiping is the chairman of the Board and Mr. Cao Jianglin is the president of the Company. Pursuant to the Company's Articles of Association, the primary duties and responsibilities of the chairman are chairing and convening the general meetings, presiding over Board meetings and organizing discussion on major business matters such as corporate development strategy and business philosophy, checking the implementation of Board resolutions, signing the securities issued by the Company, and other duties and powers authorized by the Company's Articles of Association and the Board. The major responsibilities of the president are taking charge of production, operation and management matters, organizing the implementation of Board resolutions, organizing the implementation of annual operating plans and investment proposals of the Company, formulating plans for the establishment of the Company's internal management structure, formulating plans for the establishment of the Company's branches, devising the basic management system of the Company, reviewing basic rules and regulations of the Company, proposing the appointment or removal of the vice president and the Chief Financial Officer of the Company to the Board, appointing or removing management members apart from those that should be appointed or removed by the Board, and performing other duties and powers authorized by the Articles of Association of the Company and the Board.

VI. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Pursuant to the Company's Articles of Association, the Directors including the non-executive Directors shall be elected by the general meeting and serve a term of three years. Upon the expiry of their terms of office, the Directors may be re-elected and re-appointed.

VII. SPECIAL COMMITTEES UNDER THE BOARD

The Company has established 4 special committees under the Board, namely the Strategic Steering Committee, the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee, and has formulated respective terms of reference. The terms of reference for the Nomination Committee, the Remuneration and Performance Appraisal Committee and the Audit Committee were made with reference to the contents in the Code from time to time.

THE STRATEGIC STEERING COMMITTEE

Members

The Strategic Steering Committee of the Company comprises two executive Directors and one independent non-executive Director, of whom Mr. Song Zhiping is the chairman and both Mr. Qiao Longde and Mr. Cao Jianglin are members. In particular, Mr. Song Zhiping and Mr. Cao Jianglin are executive Directors and Mr. Qiao Longde is an independent non-executive Director.

Duties and Summary of the Work

The Strategic Steering Committee of the Company is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board.

In 2012, the Strategic Steering Committee did not hold any meeting.

THE NOMINATION COMMITTEE

Members

The Nomination Committee of the Company comprises one executive Director and two independent non-executive Directors, of whom Mr. Qiao Longde is the chairman and both Mr. Li Decheng and Mr. Song Zhiping are members. In particular, Mr. Qiao Longde and Mr. Li Decheng are independent non-executive Directors and Mr. Song Zhiping is an executive Director. Such composition is in compliance with the requirements under the Code. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Nomination Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE NOMINATION COMMITTEE *(Continued)*

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating procedures and standards for electing the Directors of the Company, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors delegated to the wholly-owned subsidiaries of the Company; formulating standards for the directors or supervisors delegated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of the Directors, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors delegated to the wholly-owned subsidiaries or of the directors or supervisors delegated or recommended to the controlled subsidiaries of the Company based on the nominations of the chairman of the Company and assisting the chairman on submitting relevant matters to the Board. The committee held one meeting with a full attendance in 2012.

Set out below is a summary of work done by the Nomination Committee of the Company during 2012:

The first meeting of the third session of the Nomination Committee under the Board considered and approved three proposals including the relevant responsibilities and working procedures of the committee, the delegation of directors and supervisors for BNBM and CNBM Investment, both of which are subsidiaries of the Company, and the discussion on the Board's structure and the independence of the independent non-executive Directors in 2012.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Members

The Remuneration and Performance Appraisal Committee of the Company comprises one executive Director and two independent non-executive Directors, of whom Mr. Li Decheng is the chairman and both Mr. Shin Fang and Mr. Song Zhiping are members. In particular, Mr. Li Decheng and Mr. Shin Fang are independent non-executive Directors and Mr. Song Zhiping is an executive Director. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Remuneration and Performance Appraisal Committee (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and the Summary of the Work

The Remuneration and Performance Appraisal Committee of the Company is responsible for recommending and reviewing the specific remuneration and the performance of the Directors and the senior management, based on the remuneration and performance management policies and framework pertaining to the Directors and the senior management which have been formulated by the Board. The committee held one meeting with a full attendance in 2012.

Set out below is a summary of work done by the Remuneration and Performance Appraisal Committee of the Company during 2012:

The first meeting of the third session of the Remuneration and Performance Appraisal Committee under the Board considered and approved the remuneration proposals for senior management members for 2011.

Fees for the Directors of the third session of the Board and the Supervisors of the third session of Supervisory Committee are still subject to the standards considered and approved at the first extraordinary general meeting in 2012 held on 5 January 2012.

The Remuneration and Performance Appraisal Committee makes recommendations to the Board in respect of the remuneration of the Directors, the Supervisors and the senior management members. Remuneration of the Directors and the Supervisors is submitted for the consideration and approval of the Board. After the approval of the Board, remuneration of the Directors and the Supervisors is submitted for approval at the general meeting. Remuneration for the senior management members is considered and approved by the Board. Annual remuneration of senior management members comprises four components including basic salary, performance-based salary, special award and share appreciation rights. Basic salary is determined by taking positions, responsibility, capability and market rates into consideration. Performance-based salary is determined on the basis of assessment of economic responsibility. Special awards are granted to those who have made prominent contributions to the Company's results or in certain material aspects. The share appreciation rights are implemented according to the Company's "Share Appreciation Rights Proposal".

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE AUDIT COMMITTEE

Members

The Audit Committee of the Company comprises one non-executive Director and two independent non-executive Directors, of whom Mr. Wu Liansheng is the chairman and both Mr. Ma Zhongzhi and Ms. Cui Lijun are members. In particular, Mr. Wu Liansheng and Mr. Ma Zhongzhi are independent non-executive Directors and Ms. Cui Lijun is a non-executive Director. Among them, Mr. Wu Liansheng possesses professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements under the Listing Rules. Duties and the working system of the committee are explicitly specified in the Terms of Reference of the Audit Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

Duties and Summary of the Work

The specific duties of the Audit Committee include the appointment of external auditors and supervising their work; supervising the Company's financial reporting procedures as well as the financial supervision system; supervising the Company's internal control and reviewing its results; formulating and reviewing the corporate governance policy of the Company and reviewing the Company's compliance with the Code and its disclosure in the Corporate Governance Report; reviewing and supervising the Company and its Director's and senior management's compliance with the requirements of laws and regulations; reviewing and supervising the Directors' and senior management's professional ethics, trainings and continuous professional development. In 2012, the Audit Committee held two meetings, both with a full attendance. The recommendations of the Audit Committee have been presented to the Board for review and acted upon (if applicable).

Set out below is a summary of work of the Audit Committee during 2012:

During the reporting period, the Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, amongst others, the issuance of interim and annual results and the review of the financial control system, the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2011 and the interim financial report for 2012. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee, ensuring that the Company's operation and the Directors and the senior management's performance of their duties were in compliance with laws and regulations. The committee provided suggestions to the Board on the improvement of the Company's policies and practices as well as the long-term development of the senior management.

During the reporting period, the Audit Committee has operated in accordance with Appendix 14 to the Listing Rules. The Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2012.

VII. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE AUDIT COMMITTEE *(Continued)*

Duties and Summary of the Work *(Continued)*

In addition, the Board is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the financial position of the Group. The Board has urged the management to provide important materials concerning the Company's operation. Taking into consideration of the macroeconomy and the development of the industry, the Board has given an objective and balanced evaluation and feedback on the interim and annual financial performance, material consolidation and restructuring, systematic regulation construction and risk control. It also followed-up the progress of relevant projects on timely basis and broadened the channels for the Company's development, endeavoring to safeguard the Shareholder's interests. The reporting responsibilities of external auditors are set out in the Independent Auditor's Report of the annual report.

VIII. NOMINATION OF DIRECTORS

Pursuant to the Articles of Association, the election and the change of Directors should be considered by the shareholders at the general meetings. Shareholders holding 5% or more of the Company's shares which carry voting rights are entitled to propose the director candidates to the Board which will then authorise the chairman to prepare a list of the candidates proposed by such shareholders. Under the authorisation of the Board, the chairman prepares a list of candidates and instructs the Secretariat of the Board and the relevant departments to prepare relevant procedural documents. The Secretariat of the Board is responsible for submitting candidate invitation letters to be signed by the chairman and/or the shareholders entitled to make proposals, and then dispatching such letters to the candidates who will return the signed confirmation letters. Meanwhile, the retiring Directors are required to sign resignation letters. Pursuant to the Articles of Association and the Listing Rules, the Company is required to issue a written notice for convening the general meeting and dispatch a circular to the shareholders. The election of the new Directors is subject to approval of more than half of the total voting shares held by the shareholders or the independent representatives of the shareholders present at the general meeting.

In 2012, the Board did not hold any meeting to nominate Directors. The Board of the Company has set up the Nomination Committee, for details of which please refer to Section VII of Special Committees under the Board in the Corporate Governance Report. The duties of the Nomination Committee include formulating the procedures and standards for electing Directors of the Company, collecting the candidates of Directors, preliminarily reviewing the qualifications and conditions of Directors and made recommendation to the Board. The Nomination Committee is accountable to the Board and its proposals are subject to the Board's review.

IX. AUDITORS' REMUNERATION

At the Board meeting of the Company convened on 28 March 2012, the Directors resolved to propose to the general meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2012 respectively. The Board was authorized by the annual general meeting convened on 23 May 2012 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB9.7 million was paid by the Company to the auditors for their professional audit services.

During the reporting period, save for the financial audit services, the aforesaid auditors did not provide to the Company other significant non-audit services.

X. COMPANY SECRETARY

Mr Chang Zhangli is the internal joint company secretary of the Company.

Ms Lo Yee Har Susan of Tricor Services Limited, an external service provider, has been engaged by the Company as its joint company secretary. The primary contact person of the Company with Ms Lo is Mr Chang Zhangli, the joint company secretary and executive Director of the Company.

XI. SHAREHOLDERS AND GENERAL MEETINGS

The Shareholders, as the owners of the Company, are entitled to the rights prescribed in laws, administrative regulations and the Articles of Association. The Shareholders exercise their rights through holding general meetings. The general meetings include annual general meeting and extraordinary general meetings. The annual general meeting is held once every year, and within 6 months of the end of the preceding financial year. The Board will convene the extraordinary general meetings if the shareholder(s) holding in aggregate 10% or more of the Company's issued voting shares request(s) in writing. In the case of an annual general meeting, shareholders holding in aggregate 5% or more of the total number of shares carrying voting rights are entitled to put forward any new proposal in writing to the Company, and the Company will include such proposal in the agenda of such meeting to the extent that it falls within the powers of the shareholders' general meeting. The Board is accountable to the general meeting which is the highest authority of the Company.

In the notice of the general meetings, the Board of the Company will provide the Shareholders with information and explanation required for them to make informed decisions on the matters to be considered as well as the contact information of the person(s) in charge for shareholders' enquiry of relevant issues. During the general meetings, the Shareholders can raise questions or suggestions for the proposals in doubt and the Directors attending the meeting are responsible for explaining, recording and, if necessary, providing relevant information in details. The Shareholders may inspect copies of the minutes of the general meetings free of charge during the business hours of the Company. In the event of any Shareholder requesting for copies of such minutes, the Company will deliver the copies within 7 days after receiving payment of reasonable charges.

XI. SHAREHOLDERS AND GENERAL MEETINGS *(CONTINUED)*

At the first extraordinary general meeting in 2012 held on 5 January 2012, an ordinary resolution in relation to the remuneration of the Directors and the Supervisors of the Company for the three year term from 15 November 2011 to 14 November 2014 was passed and approved. At the 2011 annual general meeting held on 23 May 2012, eight ordinary resolutions and three special resolutions in relation to the authorization of the Board to issue shares of the Company, the amendments to the Approved Articles of Association (which will only take effect upon the completion of the issuance of the A Shares) and the issuance of debt financing instruments. At the second extraordinary meeting in 2012, the first class meeting for holders of H shares and the first class meeting for holders of domestic shares, all of which were held on 10 September 2012, two special resolutions in relation to the extension of the validity period of the proposed A Share issue and the authorization of the Board to deal with matters in relation to the proposed A Share issue were passed and approved.

According to the Articles of Association, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing resolution(s) made for the issue(s) discussed in the meeting(s) they attended. In 2012, the Company held 5 general meetings and the attendance of the Directors are as follows:

Position	**Name**	**Meetings attended/held**
Executive Director (Chairman of the Board)	Song Zhiping	5/5
Executive Director	Cao Jianglin	5/5
Executive Director	Peng Shou	4/5
Executive Director	Cui Xingtai	5/5
Executive Director	Chang Zhangli	5/5
Non-executive Director	Guo Chaomin	4/5
Non-executive Director	Huang Anzhong	4/5
Non-executive Director	Cui Lijun	5/5
Independent Non-executive Director	Qiao Longde	4/5
Independent Non-executive Director	Li Decheng	4/5
Independent Non-executive Director	Ma Zhongzhi	4/5
Independent Non-executive Director	Shin Fang	4/5
Independent Non-executive Director	Wu Liansheng	4/5

XI. SHAREHOLDERS AND GENERAL MEETINGS *(CONTINUED)*

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: **Principal Place of Business**:
17th Floor, China National Building Material Plaza, No. A-11 Sanlihe Road, Haidian District, Beijing, The PRC
Place of Representative Office in Hong Kong:
Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong
Fax: 010-88082383
Email: cnbmltd@cnbm.com.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

XII. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company reports to the general meeting. Its members comprise two shareholders' representative Supervisors and two Supervisors elected by the staff representatives and two independent Supervisors. The Supervisors have discharged their duties conscientiously in accordance with the provisions of the Company's Articles of Association, attended all the Board meetings, constantly reported to the general meeting via submitting Supervisory Committee Reports and relevant proposals. In line with the spirit of accountability to all Shareholders, the Supervisory Committee monitored the financial affairs of the Company and the performance of duties and responsibilities by the Directors, the president and other senior management personnel of the Company to ensure that they have performed their duties. The Supervisory Committee has participated actively in major matters of the Company such as production, operation and investment projects and has made constructive recommendations.

XIII. INTERNAL CONTROL

In order to comply with relevant domestic laws and regulations as well as the requirements under the Listing Rules, strengthen the Company's internal control management and ensure healthy and effective internal controls, the Company has formulated a series of internal management systems in line with the actual conditions of the Company, covering finance regulation, operation regulation, compliance regulation and risk management. Besides, by taking into consideration of the changes in overseas and domestic regulatory requirements, the Company has amended and improved the respective internal control system in a timely manner, thus ensuring the efficient operation of the Company's internal control system and the sustainable and robust development of the Company.

XIII. INTERNAL CONTROL *(CONTINUED)*

According to the relevant amendments to the Listing Rules and the New Code which took effect from 1 April 2012 and the domestic regulatory requirements, the amendments to 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 were considered and approved on 28 March 2012. In 2012, according to the development strategy of the Company and its needs for internal control, every department of the Company formulated or perfected several important rules applied in the Group, such as the Investment Management Measures《投資管理辦法》) and the Consolidation and Restructuring Management Measures (《聯合重組管理辦法》) for the investment management field, the Borrowings and Guarantees Management Measures (《借款及擔保管理辦法》) and the Capital Management Measures (《資金管理辦法》) for the financial management field, the Audit of Internal Control Implementation Measures (《內部控制審計實施辦法》) and the Internal Audit Management Measures (《內部審計工作管理辦法》) for the audit management field, forming a more refined internal control system. The Company has also established a business process-oriented management system covering all the major business procedures and sections, the performance of which depends on the efficient operation of the management, the legal department, the finance department, the investment department and the science and technology department of the Company. In addition, the Company has further improved the efficiency and performance of various operations as a result of its efforts on standardising relevant operations and key control sections. Through a series of internal control work such as the specific audit and the research and evaluation of the internal control, the Company focused on the budget estimates of construction projects, the final accounting after completion and the financial status of consolidation and restructuring projects at the early stage, endeavouring to control the investment amount, improve the efficiency of capital use and reduce the construction costs, which has strengthened the products' market competitiveness. In addition to the preparation of the comprehensive risk management report for promoting risk management, the Company has established a risk management mechanism involving the recognition and assessment of risks, prevention and rectification as well as post evaluation, thus mitigating the major and material risks during the development process and facilitating the robust growth of the Company.

The Board continues to review the efficiency of the operation of the Company's internal monitoring system (through the Audit Committee of the Board of the Company), and believes that the internal monitoring system of the Company operated efficiently. In accordance with the provisions of section C.2.1 of the Code, the Directors have reviewed the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period, covering matters such as financial control, operation control, compliance control and risk management function control. The Board was not aware of any material events that might affect shareholders' interests. The Board is of the opinion that, the Company had fully complied with the provisions regarding internal control in the Code.

XIV. INVESTOR RELATIONS

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2012 to its shareholders.

PRINCIPAL BUSINESS

The Group is a holding company and its subsidiaries and associates are mainly engaged in the cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. Particulars of the principal businesses of the Company's subsidiaries are set out in Note 6, Note 19 and Note 20 to the Group's consolidated financial statements respectively.

RESULTS

The results of the Group during the year are set out in the Consolidated Income Statements in this annual report.

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, 4 June 2013.

DIVIDENDS *(CONTINUED)*

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, 4 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.

DIVIDENDS *(CONTINUED)*

- 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 23 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 22 April 2013 for share registration.

Shareholders whose names appear on the register of members on Tuesday, 4 June 2013 will be eligible for the final dividend. The register of members of the Company will be closed from Thursday, 30 May 2013 to Tuesday, 4 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 Wednesday, 29 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 Tuesday, 4 June 2013.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB105,413.7 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 19 and 20 to the consolidated financial statements.

CAPITALISED INTERESTS

Details of capitalised interests of the Company during the year are set out in Note 8 to the consolidated financial statements.

Share Capital Structure (as at 31 December 2012)

	Number of shares	Percentage of issued share capital *(%)*
Domestic Shares	2,519,854,366	46.67
H Shares	2,879,171,896	53.33
Total share capital	5,399,026,262	100

Substantial Shareholders (as at 31 December 2012)

Name	Class of shares	Number of shares held	Percentage of total share capital *(%)*
Parent	Domestic Shares	666,962,522	12.35
BNBMG	Domestic Shares	1,485,566,956	27.52
CNBM Trading	Domestic Shares	227,719,530	4.22
Cinda	Domestic Shares	138,432,308	2.56
Building Materials Academy	Domestic Shares	1,173,050	0.02
Public Investors	H Shares	2,879,171,896	53.33
Total share capital		5,399,026,262	100

Note: Any discrepancies in the table between totals and sums of shareholding percentages are due to rounding.

DISCLOSURE OF INTERESTS

I. Substantial Shareholders and persons who have an interest or short position discloseable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")

So far as was known to directors or supervisors of the Company, as at 31 December 2012, the shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital *(%)* [2, 7]	Percentage in total share capital *(%)* [2, 7]
Parent[1, 6]	Domestic Shares	2,381,422,058[3]	94.50	44.10
BNBMG[1]	Domestic Shares	1,485,566,956[3]	58.95	27.52
CNBM Trading[1]	Domestic Shares	227,719,530[3]	9.04	4.22
Cinda[6]	Domestic Shares	138,432,308[3]	5.49	2.56
JP Morgan Chase & Co.	H Shares	430,452,347[3]	14.95	7.97
	H Shares	13,173,407[5]	0.46	0.24
	H Shares	227,394,851[4]	9.63	5.13
Deutsche Bank	H Shares	228,979,296[3]	7.95	4.24
Aktiengesellschaft	H Shares	157,153,399[5]	5.45	2.91
	H Shares	990,000[4]	0.03	0.01
BlackRock, Inc.	H Shares	172,182,909[3]	5.98	3.18
	H Shares	52,731,964[5]	1.83	0.97
Citigroup. Inc.	H Shares	156,495,301[3]	5.43	2.89
	H Shares	91,087,203[5]	3.16	1.68
	H Shares	75,968,774[4]	2.63	1.40
Plowden Charles	H Shares	64,274,000[3]	5.35	1.19
Warden Alison	H Shares	64,274,000[3]	5.35	1.19

DISCLOSURE OF INTERESTS *(CONTINUED)*

I. Substantial Shareholders and persons who have an interest or short position discloseable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(Continued)*

Notes:

1. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly and separately held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% of its equity interests, of which 69.45% is directly held and 30.55% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to be interested in the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

2. As at 31 December 2012, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

3. Long position.

4. Lending pool.

5. Short position.

6. Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to Parent ("Second Transfer of Shares"). Consequently, under the SFO, Parent was deemed to own 2,443,222,195 Domestic Shares (representing 96.95% in the domestic share capital and 45.25% in the total share capital) and Cinda was deemed to own 76,632,171 Domestic Shares (representing 3.04% in the domestic share capital and 1.41% in the total share capital), As at the date of this report, the formalities in respect of the share transfer registration of the First Transfer of Shares and Second Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

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

Save as disclosed above, as at 31 December 2012, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS *(CONTINUED)*

II. Interests and Short Positions of Directors and Supervisors

As at 31 December 2012, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the Group's total sales amount.

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount.

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).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2012, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and so far as the directors are aware, as at the date hereof, more than 25% of the Company's total issued shares are held by the public, which satisfied the requirement of the Listing Rules.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2012 were RMB2,223.0 million.

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.

SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and shareholder value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights (the "Plan") for the Group's senior management officers, senior experts and specialist who make important contributions to the Group. The validity period of the Plan is from 18 September 2006 to 17 September 2012.

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

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

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HK$3.5 each unit to the senior management of the Company, details as follows:

	Units of SA Rights granted
Directors and Supervisors of the Company	2,680,000
Other senior management	*3,200,000*
	5,880,000

As the SA Rights vest at different amounts until the grantee have completed a specified period of service. The above-mentioned authorization has expired on 17 September 2012. During the validity period, all SA Rights had been completely exercised. During the reporting period, no SA Rights were granted, the Company recognised the services received and a liability of RMB0.84 million (2011: RMB2.49 million) during the reporting period, being the estimated compensation paid for service rendered by the grantee during the year.

According to Guo Zi Fa Fen Pei [2006] No.8, "Trial Method for Share Incentive Scheme of State-controlled Listing Company", the compensation should not exceed 40% of personal total salary and bonus.

DIRECTORS AND SUPERVISORS (AS AT THE DATE OF THIS REPORT)

Executive Directors:

Song Zhiping	(appointed on 10 March 2005)
Cao Jianglin	(appointed on 10 March 2005)
Peng Shou	(appointed on 20 June 2006)
Cui Xingtai	(appointed on 24 August 2009)
Chang Zhangli	(appointed on 15 November 2011)

Non-executive Directors:

Guo Chaomin	(appointed on 15 November 2011)
Huang Anzhong	(appointed on 10 March 2005)
Cui Lijun	(appointed on 10 March 2005)

DIRECTORS AND SUPERVISORS (AS AT THE DATE OF THIS REPORT) *(CONTINUED)*

Independent Non-executive Directors:

Qiao Longde	(appointed on 15 November 2011)
Li Decheng	(appointed on 29 August 2008)
Ma Zhongzhi	(appointed on 15 November 2011)
Shin Fang	(appointed on 15 November 2011)
Wu Liansheng	(appointed on 15 November 2011)

Supervisors:

Wu Jiwei	(appointed on 15 November 2011)
Zhou Guoping	(appointed on 10 March 2005)
Tang Yunwei	(appointed on 15 November 2011)
Zhao Lihua	(appointed on 15 November 2011)
Cui Shuhong	(appointed on 10 May 2005)
Liu Zhiping	(appointed on 30 June 2008)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the date of this report, each of the directors and supervisors has entered into a service contract with the Company for a term of a maximum of three years. There is no unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) in respect of any director proposed to be re-elected.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the date of this report, during the year and at any time during the period from the end of the year to the date of the report, except for the relevant service contracts, there were no contracts of significance to which the Company or any of its holding companies or its subsidiaries or fellow subsidiaries was a party and in which any of directors or supervisors had a material interest, whether directly or indirectly.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and Supervisors' remuneration who are the five highest paid individuals of the Company during the year are set out in Note 9 to the consolidated financial statements.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

As at the date of this report, the Board comprised 13 directors, whose biographies are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The Board established four special committees, namely, the Strategic Steering Committee, the Nomination Committee, the Audit Committee and Remuneration and Performance Appraisal Committee, details of which are set out in the section headed "Corporate Governance Report" herein.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there was no change in the Directors, Supervisors and senior management of the Company.

MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Company, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management or handling of all or any material part of the Company's business.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The connected transactions of the Company, which are also related party transactions, are set out in Note 42 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure".

The following transactions entered into by the Company constitute "continuing connected transactions" as defined under chapter 14A of the Listing Rules:

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group

As at the date of this report, the Parent has a direct equity interest of 12.35% and total direct and indirect equity interest of 44.11% in the Company. It is a controlling shareholder of the Company. Each of Parent and its subsidiaries therefore constitutes a connected person of the Company under the Listing Rules.

1. Master Purchases of Mineral Agreement

   On 4 November 2010, the Company entered into a Master Purchases of Mineral Agreement with Parent, for a term of three years commencing from 1 January 2011. Whereby Parent agreed to supply, or procure its subsidiaries to supply, to the Company limestone and clay for the production of clinker and other cement products. Parent shall supply to the Company limestone and clay from its quarries at market rates, namely, the price at which the same type of mineral is provided to Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2012, the Group's expenditure for ore and clay supplied by Parent Group was RMB56.4 million.

2. Master Mutual Provision of Products and Services Agreement

   On 4 November 2010, the Company entered into a Master Mutual Provision of Products and Services Agreement with Parent for a term of three years commencing from 1 January 2011. Pursuant to which:

   (a) Parent agreed to provide, or procure its subsidiaries to provide, the following products and services to the Company:

   - Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials) and other similar raw materials for the Group's production; and
   - Support services: transportation services; equipment repair, design and installation services; property management services; technology services; other similar services;

   (b) The Company agreed to provide, or procure its subsidiaries to provide the following production supplies and support services to Parent:

   - Production Supplies: clinker, cement, diesel and petrol, lightweight building materials and other raw material and commodities; and
   - Support services: equipment and conveyance leasing; water, electricity and steam supply services; and technology services.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

2. Master Mutual Provision of Products and Services Agreement *(Continued)*

The production supplies and support services pursuant to the Master Mutual Provision of Products and Services Agreement shall be provided at:

(a) the government-prescribed price;

(b) if there is no government-prescribed price but there is a government-guided price, the government-guided price applies;

(c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Master Mutual Provision of Products and Services Agreement, the term "market price" is defined as the price at which the same type of products or services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

(d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant products or services, which shall be the reasonable costs incurred in providing the same products or services plus a profit margin of not more than 5% of such costs. For the purpose of the Master Mutual Provision of Products and Services Agreement, the term "reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting principles of the PRC.

The prices for electricity, water and steam are currently prescribed by the government.

For the year ended 31 December 2012, the Group's expenditure for the products and services provided by Parent Group was RMB339.2 million.

For the year ended 31 December 2012, the Group's revenue from the production supplies and support services provided to Parent Group was RMB504.9 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

3. Master Purchase of Equipment Agreement

   On 4 November 2010, the Company entered into a Master Purchase of Equipment Agreement with Parent for a term of three years commencing from 1 January 2011. Whereby Parent agreed to supply, or procure its subsidiaries to supply, equipment to the Company for the construction of our production lines. The equipment provided pursuant to the Master Purchase of Equipment Agreement shall be at market rate, namely, the price at which the same type of equipment is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2012, the Group's expenditure for equipment supplied by Parent Group was RMB169.2 million.

   Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing his fundings and conclusions in respect of the continuing connected transactions of the Group.

   The auditors of the Company have reviewed the continuing connected transactions of the Group, and reported to the Board that:

   (1) nothing has came to their attention that causes them to believe that the transactions have not been approved by the Board;

   (2) nothing has came to their attention that causes them to believe that the transactions involving provision of goods or services provided by the Group were not conducted in accordance with the pricing policies of the Group;

   (3) nothing has came to their attention that causes them to believe that the transactions were not conducted in accordance with the terms of the agreement governing it; and

   (4) nothing has came to their attention that causes them to believe that the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have exceeded their respective annual cap.

   The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

3. Master Purchase of Equipment Agreement *(Continued)*

   The independent non-executive directors of the Company have reviewed these connected transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that the connected transactions have been conducted:

   (a) in the ordinary and usual course of business of the Company;

   (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) Independent Third Parties; and

   (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

NON-EXEMPT CONNECTED TRANSACTIONS

During 2012 and up to the date of this report, the Company has entered into the following non-exempt connected transactions.

1. Acquisitions of Equity Interests in Sichuan Coal Cement, Panzhihua Coal Cement and Guangwang Machinery

Pursuant to the Non-Competition Agreement, the Company decided to exercise the pre-emption rights granted therein. On 24 July 2012, pursuant to a government monitored transfer of state-owned assets on the Shanghai United Assets and Equity Exchange, Southwest Cement and Chongqing Southwest Cement, being subsidiaries of the Company, became the only intended transferees satisfying the requirements and entered into four separate equity transfer agreements and a debt repayment agreement with the Parent and BNBMG to acquire:

1) the 99% equity interests held by the Parent in Sichuan Coal Cement (for a consideration of RMB396,938,700) and the 1% equity interest held by BNBMG in Sichuan Coal Cement (for a consideration of RMB 4,009,500);

2) the 100% equity interests held by the Parent in Panzhihua Coal Cement (for a consideration of RMB12,685,600);

3) the 100% equity interests held by the Parent in Guangwang Machinery (for a consideration of RMB11,001,000; and

NON-EXEMPT CONNECTED TRANSACTIONS *(CONTINUED)*

1. Acquisitions of Equity Interests in Sichuan Coal Cement, Panzhihua Coal Cement and Guangwang Machinery *(Continued)*

4) the loan amounting to RMB1 billion provided by the Parent to Sichuan Coal Cement.

As the Parent holds 44.11% of the Company's shares directly and indirectly, and BNBMG holds 27.52% of the Company's shares, the Parent and BNBMG are substantial shareholders of the Company. As such, the Parent and BNBMG are connected persons of the Company and the acquisitions constitute connected transactions.

Details of the acquisitions of equity interests in Sichuan Coal Cement, Panzhihua Coal Cement and Guangwang Machinery were disclosed in the announcement published by the Company dated 24 July 2012. As at the date of this report, the above acquisitions of equity interests in Sichuan Coal Cement, Panzhihua Coal Cement and Guangwang Machinery have been completed.

2. Acquisition of Limestone Mining Rights held by Jiangsu Julong

On 28 December 2012, Huaihai China United, a 80.88% indirect subsidiary of the Company, entered into the Mining Rights Transfer Contract with Jiangsu Julong, a 73.8% indirect subsidiary of the Parent, for the purpose of acquiring the mining rights of Jiaoshan Limestone Mine held by Jiangsu Julong. Pursuant to the Mining Rights Transfer Contract, Huaihai China United will acquire the mining rights of Jiaoshan Limestone Mine for a total consideration of RMB218,410,000.

Details of the acquisition of limestone mining rights held by Jiangsu Julong were disclosed in the announcement published by the Company dated 28 December 2012. As at the date of this report, the payment for acquisition has not been fully settled.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed these connected transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that the connected transactions have been conducted:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

NON-COMPETITION AGREEMENT

As at the date of this report, Parent confirmed that it has complied and will comply with the Non-Competition Agreement dated 28 February 2006 entered into with the Company. Pursuant to this agreement, Parent has agreed not to, and to procure its subsidiaries (excluding the Group) not to compete with the Group in its core businesses.

None of the directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2012, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company and the laws of the PRC, there are no provisions about pre-emptive rights that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

AUDITORS

At the Board meetings held on 28 March 2012, pursuant to the authorisation granted at the 2011 AGM held on 23 May 2012 the Board determined to continue to engage Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, to hold office until the date of convening the annual general meeting in 2013, Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

By order of the Board
Song Zhiping
Chairman of the Board

Beijing, the PRC
22 March 2013

Report of the Supervisory Committee

Dear shareholders,

During the reporting period, in accordance with relevant requirements of the Company Law and the Articles of Association of the Company, all members of the third session of the supervisory committee of the Company (the "Supervisory Committee"), on the principle of fairness and honesty, have conscientiously and diligently performed their supervisory duties in a responsible manner and carried out effective supervision over the performance of duties by the Directors and senior management, the Company's operation and management and financial conditions, in order to safeguard the interests of the Company and its shareholders.

During the reporting period, the Supervisory Committee held a total of two meetings and attended all the Board meetings. The Supervisory Committee has reviewed the Supervisory Committee Working Report of the Company for 2011, the auditor's report and audited financial statements of the Group for 2011, the profit distribution plan and the final dividend distribution plan for 2011, the interim financial report and results announcements for 2012, the interim auditor's report and the audited financial statements for 2012, as well as the handling of interim dividends for 2012. The committee conducted strict and effective inspection on and supervision over the compliance of major operating decisions and performance of duties by Directors and the management.

During the reporting period, through performing the supervisory power authorized by the Articles of Association, the Supervisory Committee is of the opinion that, the Board of the Company has strictly complied with the requirements of the Company Law, the Articles of Association of the Company and other relevant rules, regulations and systems and made decisions in accordance with laws. The major operation decision-making of the Company is considered reasonable and its procedures are lawful and effective. In discharging their duties in the Company, Directors and the senior management of the Company conscientiously observed the implementation of the laws and regulations of the State, the Articles of Association, resolutions passed at shareholders' general meetings and Board meetings. They have also discharged their duties with honesty, diligence and dedication.

The Company carried out standard financial audits and put in place a sound internal control system. The financial reports of the Company reflect in an objective, true and fair manner the Company's financial conditions and operating results in all major aspects, and are truthful and reliable. In reviewing the Company's financial standing and examining the directors' and senior management's performance of duties, the Supervisory Committee did not find any breach of laws, regulations, the articles of association of the Company or any other rules or provisions, or any harm against the interests of the Company or its shareholders.

The Supervisory Committee has duly reviewed and approved the Report of the Board proposed to be submitted to the annual general meeting, the audited financial reports and profit distribution plans, and considers that the report is in consistence with the actual circumstances of the Company.

In face of the critical economic landscape for 2012, the Supervisory Committee is satisfied with the Company's efforts to overcome various difficulties and activeness in undertaking various business activities and gaining economic benefits of the Company for 2012, and is confident in the Company's prospects in 2013 onwards.

In 2012, the Supervisory Committee will continue to perform its supervisory duties on the principle of honesty and diligence, step up supervision, concretely safeguard and guarantee the legitimate interests of the Company and its shareholders, and proactively proceed with various tasks, in strict compliance with relevant laws, regulations and the articles of association of the Company.

Wu Jiwei
Chairman of the Supervisory Committee

Beijing, the PRC
22 March 2013

I. MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation or arbitration.

II. 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 report, the proposed A share issue is still under progress.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

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 report, 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 report, 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.

DIRECTORS

Executive Directors

Mr. Song Zhiping, born in October 1956, is the chairman of the Board and an executive director of the Company. Mr. Song has over 30 years of experience in business and management in China's building materials industry. He has served as the chairman of Parent since October 2005 and the chairman of the Board and executive director of the Company since March 2005. He served as the chairman of China United from March 2003 to April 2005 and the general manager of Parent from March 2002 to October 2005. He also served as the vice general manager of general affairs and the vice general manager of Parent from October 1995 to March 2002, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM and the chairman of BNBMG since January 1996. Mr. Song served several positions in BNBMG (both prior to and after its conversion) from September 1987 to July 2002, including the deputy director and the director of the factory, the general manager and the secretary to the Party Committee. Mr. Song has served as an external director and the chairman of China National Pharmaceutical Group Corporation since May 2009. Mr. Song received a bachelor's degree in polymer from Hebei University in August 1979 and received an MBA degree from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in June 2002. Mr. Song is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Song consecutively acts as the vice president of China Building Materials Industry Association (中國建築材料聯合會), the vice president of China Enterprise Confederation, the chairman of the board (主席團主席) of China Federation of Industrial Economics, the vice president of China's Listed Companies Association (中國上市公司協會), the vice president of China Logistics Alliance Network (中國物流與采購聯合會), the head and vice president of general affairs of the China Capital Entrepreneurs' Club (首都企業家俱樂部) and the chairman of China Enterprise and Development Research Association (中國企業與發展研究會). Mr. Song was elected as the representative of the Eighteenth National Congress of Communist Party of China. Mr. Song received a number of awards for his management and entrepreneurial skills, including National Model Worker (全國勞動模範), 500 Chinese Enterprise's Pioneers (中國500名企業創業者), Chinese Entrepreneur (中國創業企業家), National Outstanding Young Entrepreneur (全國優秀青年企業家), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards" (第八屆全國優秀企業家金球獎), Management Elite Award (管理人物精英獎), one of the Top Ten Merger and Acquisition Businessmen in the PRC (中國十大併購人物), the Yuan Baohua Enterprise Management Gold Award (袁寶華企業管理金獎) and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章), The People with Outstanding Contribution to Social Responsibility Undertakings (人民社會責任杰出貢獻人物), the Golden Bauhinia Awards "Most Influential Leader" (中國證券金紫荊獎最「具影響力領袖獎」), The People of Financial Year 2012 (2012年中國經濟年度人物獎), China Economic Leaders Award (華人經濟領袖獎) as well as the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Mr. Cao Jianglin, born in September 1966, is the president and an executive director of the Company. Mr. Cao has over 20 years of experience in business and management in the building materials industry. Mr. Cao has been a director of China United and the chairman of the board of Southwest Cement since December 2011, the chairman of the supervisory committee of BNBM since September 2009, the chairman of North Cement since March 2009, the chairman of South Cement since September 2007, the chairman of the supervisory committee of BNBMG since August 2005, a director of Parent since October 2005, the chairman of the supervisory committee of China United from April 2005 to December 2011, the president and an executive director of the Company since March 2005. From October 2004 to August 2009, Mr. Cao was the chairman of BNBM, the director of both China Composites and China Triumph since September 2004, the chairman of China Fiberglass since June 2002 and the chairman of CNBM Investment since March 2002. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the general manager assistant, the vice general manager and the vice chairman of BNBMG, the general manager assistant and the vice general manager of Parent, the president of BND Co., Limited (now CNBM Investment) and the general manager of China Fiberglass. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao is a researcher with professional technology qualifications and was awarded a special grant of the government approved by the State Council. Mr. Cao was granted Working Model of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

Mr. Peng Shou, born in August 1960, is currently an executive director and the vice president of the Company. Mr. Peng has over 30 years of experience in business and management in the building materials industry. He is an expert in inorganic materials research and development as well as engineering design and consulting. Mr. Peng has served as an executive director of the Company since June 2006, a vice president of the Company since March 2005, the chairman of China Triumph since September 2004 and the president of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building materials industry (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Poly-technic University (now Wuhan University of Technology) in June 2002. Mr. Peng is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council. At present Mr. Peng consecutively acts as the chairman of International Commission on Glass, the director of State Key Laboratory of Float Glass New Technology (浮法玻璃新技術國家重點實驗室), the vice chairman of China Silicate Association (中國矽酸鹽學會), the deputy chairman of the fourth general committee of the China Building and Industrial Glass Committee and a Ph.D supervisor of Dalian Jiaotong University. Mr. Peng was awarded National Model Worker (全國勞動模範), National May Day Labor Medal, State Technology Advancement (國家級科技進步獎) and Guanghua Engineering Science and Technology Award of Chinese Academy of Engineering. As a National Engineering Survey and Design Master (國家級工程勘察設計大師), he is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程) and State Outstanding Technical Officer (全國優秀科技工作者).

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Mr. Cui Xingtai, born in November 1961, is the vice president and an executive director of the Company. Mr. Cui has nearly 30 years of business and management experience in China's building materials industry. He has served as a diretor of Southwest Cement since December 2011, an executive director of the Company since August 2009, a director of South Cement since September 2007, the chairman of China United since April 2005, a vice president of the Company since March 2005 and the secretary of the Party Committee of China United since August 2004. Mr. Cui served as the vice chairman of China United from August 2004 to April 2005, the deputy chief engineer of Parent from November 2003 to March 2005, and the deputy general manager of China United from April 2002 to August 2004, the chief engineer of China United from July 1999 to August 2004, From June 1997 to January 1999, Mr. Cui served as the head of Shandong Lunan Cement Factory. Mr. Cui received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1984 and received a master's degree in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he received an EMBA degree from Tsinghua University on January 2008. Mr. Cui is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Cui consecutively acts as the vice president of China Cement Association. Mr. Cui was awarded as an Outstanding Entrepreneur in China's Building Materials Industry（全國建築材料行業優秀企業家）and the first prize of National Corporate Management Modernization and Innovation Achievements in Building Materials Industry（全國建材行業企業管理現代化創新成果）, the first prize of National Corporate Management Modernization and Innovation Achievements （全國企業管理現代化創新成果） and an Outstanding Communist Party Member of China Central Government Enterprises（中央企業優秀共產黨員）honoured by SASAC.

Mr. Chang Zhangli, born in December 1970, is the vice president, a secretary to the Board and an executive director of the Company. Mr. Chang has over 15 years' experience in handling listing-related matters for the Company, with participation in all major matters relating to the global offering of the shares of the Company and listing of shares of the Company on the Stock Exchange. Mr. Chang has served as a director of China Triumph since October 2012, the director of China United and China Composites since December 2011, vice chairman of the board of Southwest Cement, the executive Director of the Company since November 2011 and the director of North Cement since March 2009, the director of BNBM since July 2008, the director of South Cement since September 2007, the vice president of the Company since August 2006, the director of China Fiberglass since July 2005, the secretary to the Board of the Company since March 2005 and the director of CNBM Investment since December 2000. From June 2000 to March 2005, Mr. Chang served in a number of key positions in BNBM, including the secretary to the board and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. Chang serves as the deputy secretary of the Listed Companies Association of Beijing. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors

Mr. Guo Chaomin, born in August 1957, is a non-executive director of the Company. Mr. Guo has over 35 years of experience in business and management in the building materials industry of China. He has been a non-executive director of the Company since November 2011, the general manager of China National United Equipment Group Corp. from October 2006 to March 2010, the general manager of Parent since September 2003, the general manager assistant of Parent from April 2002 to September 2003, the general manager of investment and development department of Parent from April 2002 to August 2004, the general manager of Zhongbei Glass Industrial Company (中北玻璃工業公司) from December 2002 to February 2004 and the deputy chief accountant of Parent from May 1998 to April 2002. During the period from March 1983 to May 1998, Mr. Guo served successively for several positions in Parent including the deputy head, the head, the deputy manager and the manager of planning and finance department. Mr. Guo received a bachelor's degree in economics from Renmin University of China in March 1983 and an MBA degree from China Europe International Business School in May 1998. Mr. Guo is a senior economist.

Mr. Huang Anzhong, born in July 1963, is a non-executive director of the Company. Mr. Huang has over 25 years of experience in business and management in the building materials industry. Mr. Huang has served as the vice general manager of Parent since December 2009, the non-executive director of the Company since March 2005 and the general manager of CNBM Trading since January 2005. Mr. Huang served as the supervisor of China Fiberglass from March 1999 to July 2005, the vice general manager and the general manager of China National Building Material & Equipment Improt and Export Company from April 1996 to January 2005, Mr. Huang graduated with a bachelor's degree in engineering from Nanjing Institute of Chemical Technology in July 1985 and received an EMBA degree from Xiamen University in May 2005. Mr. Huang is a researcher with professional technology qualifications and was awarded a special grant of the government approved by the State Council.

Ms. Cui Lijun, born in October 1960, is a non-executive director of the Company. Ms. Cui has over 25 years of experience in business and management in the building materials industry. Ms. Cui has served as the vice chairman of BNBMG since August 2005, the chairman of the supervisory committee of China Fiberglass from July 2005 to April 2011, the non-executive Director of the Company and the general manager of the BNBMG since March 2005, the director of BNBM since June 2003, the director of China Fiberglass from May 2002 to July 2005 and the chief financial officer of BNBMG from April 2002 to September 2006. Ms. Cui received a bachelor's degree in industrial accounting from Beijing Open University in December 1986 and received a master's degree in investment management from the Graduate School of Chinese Academy of Social Sciences in November 1998. Ms. Cui is an accountant.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors

Mr. Qiao Longde, born in January 1948, is an independent non-executive director of the Company. Mr. Qiao has over 45 years of experience in business and management in the building materials industry. Mr. Qiao has been an independent non-executive director since November 2011, the chairman of China Cement Association since October 2012, the chairman of the Fourth Session of the Council of China Building Materials Federation since April 2011, the vice-ministerial grade cadre of SASAC since July 2010, the chairman of the Supervisory Committee for Key State-owned Enterprises of the State Council from June 2000 to July 2010, the deputy head and a member of the Party Committee of the State Bureau of Building Materials Industry from March 1995 to June 2000, the head and secretary to the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from July 1991 to March 1995, the deputy head and vice secretary to the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from October 1986 to June 1991, the secretary to the Party Committee and the chief commander of engineering construction of Gansu Wushan Cement Factory (甘肅武山水泥廠) from November 1980 to June 1983, as well as the deputy head and a member of the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from April 1975 to June 1983. Mr. Qiao received a bachelor's degree from the Chinese Department of Gansu Northwest Normal University in September 1985, a bachelor's degree in economics and management from Correspondence Institute of the Party School of Central China of Communist Party of China (中共中央黨校函授學院) in July 1994, a master's degree in architecture and civil engineering from Wuhan University of Technology in July 2001 and a doctor's degree in engineering and management science from Wuhan University of Technology in June 2004. Mr. Qiao is a senior economist.

Mr. Li Decheng, born in May 1945, is an independent non-executive director of the Company. Mr. Li has accumulated over 40 years of experience in the field of economic management. Mr. Li has served as an independent non-executive director of the Company since August 2008 the executive vice chairman and the director of the China Enterprise Confederation (中國企業聯合會 中國企業家協會) since 2008. From March 2004 to April 2008, he served as the chairman and the secretary to the Party Committee of the 4th Shenzhen Committee of China People's Political Consultative Conference (the "CPPCC"). He was the chairman and the secretary of the Party Committee of the 3rd Shenzhen CPPCC from March 2002 to March 2004. He was the deputy secretary of the Communist Party of China Standing Committee of Shenzhen from May 2000 to March 2002. From May 1995 to March 2004, he was the standing deputy city mayor of Shenzhen. He was the secretary to Industry Committee and the general manager of Municipal Investment Management Company in Shenzhen from September 1993 to October 1994, a member of the Communist Party of China Standing Committee of municipal government of Shenzhen from September 1993 to March 2004 and served as the deputy chief, the chief and the secretary to the Party Committee for Economics System Reform Committee of Jilin Province from February 1988 to March 1992, and served as the chief and secretary to the Party Committee for Economic Planning Committee of Jilin Province from January 1985 to June 1987, and the deputy chief and a member of the Party Committee for Economic Committee of Jinlin Province from September 1983 to January 1985. Mr. Li is an engineer who received a bachelor's degree in laser and infrared ray from Changchun Institute of Optics and Fine Mechanics in August 1969. He is a member of the 11th National Committee of CPPCC and United Nations Global Compact Organization.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Mr. Ma Zhongzhi, born in January 1944, is an independent non-executive director of the Company. Mr. Ma has more than 40 years of experience in business and management covering the supervision and management of banking and securities regulation. He has served as the independent non-executive director of the Company since November 2011, the independent supervisor of the Company from June 2008 to November 2011, the independent director and the chairman of the Audit Committee of Standard Chartered Bank (China) Limited since March 2008. Mr. Ma served as the chairman of the Supervisory Committee for Key State-owned Enterprises of the State Council from June 2000 to April 2007, and the audit commissioner of the State Council from November 1998 to June 2000. From September 1992 to November 1998, he served as the deputy head and the head of the office of Securities Commission of the State Council, including from June 1994 to November 1998, he took the position of a member of the Party Committee and secretary general of CSRC. He served as the deputy head of the headquarters of the People's Bank of China between November 1991 and September 1992, and the deputy branch manager of the People's Bank of China Shenyang Branch between June 1984 and November 1997. Since June 1993, he has also worked as a part-time professor and postgraduate supervisor in the Graduate School of the People's Bank of China. He is a senior economist who received a bachelor's degree in economic management from Liaoning University in August 1984. Mr. Ma wrote a book entitled Study and Thought on the Japanese Securities Market, edited books like A Must-read for Financing in the U.S. Securities Market and Issuance of Convertible Bonds and Market Practices, and authored a book entitled Basic Knowledge of Securities Market. He has been honoured as a national expert who has made outstanding contributions, by the People's Bank of China.

Mr. Shin Fang, born in December 1941, is an independent non-executive director of the Company. He has over 40 years of experience in business and management in respect of corporate management and capital operation and has been an independent non-executive director of the Company since November 2011. In May 2000, Mr. Fang established SF CAPITAL LTD., serving as its president, and he worked for GET MANUFACTURING INC. from January 1996 to May 2000 as its chairman. Mr. Fang has been the director of Chung Tak Lighting Control Systems (Guangzhou) Ltd. (廣州市中德電控有限公司) since August 1993 and the director of Yue-Sai Kan Cosmetics Ltd. (靳羽西化妝品有限公司) from July 1992 to December 2000. He served as the managing director of GENERAL ELECTRONICS (HK) LTD. from January 1969 to December 1995. Mr. Fang obtained a bachelor's degree in Physics from Rensselaer Polytechnic Institute in June 1964 and an MBA from Columbia University in US in June 1966.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Mr. Wu Liansheng, born in December 1970, is an independent non-executive director of the Company. He has extensive research experience in the area of accounting rules and earnings management, corporate governance and corporate financial behaviour, Mr. Wu has been the deputy dean of the Guanghua Management Institute of Peking University since March 2012, the independent non-executive director of the Company since November 2011, the professor and head of the department of accounting of the Guanghua Management Institute of Peking University since August 2007, the deputy head of the department of accounting of the Guanghua Management Institute of Peking University from March 2003 to July 2007, a Ph.D supervisor of the Guanghua Management Institute of Peking University since August 2002 and has been a lecturer, associate professor and professor of the Guanghua Management Institute of Peking University since September 2001. Mr. Wu received a bachelor's degree in economics from Wuhan University in July 1993, a master's degree in economics from Wuhan University in June 1996 and a doctor's degree in management in June 1999. Mr. Wu has over a number of papers published in numerous renowned journals at home and abroad, including 3 masterpieces of his, namely "Studies on the Frontier Issues in Accounting: Development and Innovation", "Governance to Categorized Accounting Information Distortion: from Accounting Order to Accounting Rules" and "Studies on Accounting Report of Listed Companies" (上市公司會計報告研究). In addition, he has led six projects in total including the National Social Science Funds, National Natural Science Funds and Humanities and Social Sciences of the Ministry of Education. At present Mr. Wu acts as an independent director in listed companies such as Huaneng Power International Inc. and Western Mining Company Limited (西部礦業發展股份有限公司). He was shortlisted in the "New Century Outstanding Person Support Scheme" (新世紀優秀人才支持計劃) of the Ministry of Education.

SUPERVISORS

Mr. Wu Jiwei, born in February 1971, currently serves as the chairman of the Supervisory Committee of the Company. He has accumulated over 15 years of experience in financial management. Mr. Wu has served as the chairman of the Supervisory Committee of the Company since November 2011, the chief accountant of Parent since April 2011, the director of financial management centre of China Chengtong Holdings Group Limited from December 2008 to April 2011, the deputy chief accountant of Engineering Technology Branch Company (工程技術分公司) of China National Petroleum Corporation from April 2008 to December 2008, the general manager assistant of China National Petroleum Corporation (the "CNPC") Services and Engineering Ltd. as well as the chief accountant of China National Logging Corporation from April 2005 to April 2008. Mr. Wu served a number of positions for the finance department of CNPC Services and Engineering Ltd from February 2001 to April 2005, such as the deputy manager of financial assets department and the manager of finance department. From September 1999 to February 2001, he worked as an accountant of fiscal budget division of financial assets department (財務資產部資金預算處) of China National Petroleum Corporation. He obtained a bachelor's degree in financial accounting from Xi'an Petroleum College in July 1994 and received his master's degree in management from Central University of Finance and Economics in March 2001. Mr. Wu is a senior accountant.

SUPERVISORS *(CONTINUED)*

Ms. Zhou Guoping, born in February 1960, is a Supervisor of the Company. Ms. Zhou has over 20 years' experience in financial management. Ms. Zhou has been a director of China Triumph since October 2012, the chief economist of Parent since December 2009, a supervisor of the Company since March 2005, assistant to the general manager of Parent from October 2003 to December 2009 and the general manager of the finance department of Parent from October 2003 to December 2006 and the chief financial officer of Zhongxin Group Financial Company from July 2000 to April 2003. From March 1992 to October 2003, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1982 and an EMBA degree from Xiamen University in December 2006. Ms. Zhou is qualified as a professor-grade senior engineer.

Mr. Tang Yunwei, born in November 1944, is an independent Supervisor of the Company. He has over 25 years' experience in corporate operation and financial management. Mr. Tang has been an independent supervisor of the Company since November 2011 and served in Ernst & Young Da Hua as a senior consultant from December 2006 to December 2008. He has been the president of Shanghai Accounting Association (上海市會計學會) from 2002 to 2012 and served as the chief accountant in Ernst & Young Da Hua from January 2000 to December 2006. He has been the chairman of Shanghai Dahua Certified Public Accountants since January 2000 and served as a senior researcher in the International Accounting Standards Committee from March 1999 to January 2000. Mr. Tang has been a member of China Accounting Standards Committee (中國會計準則委員會) since 1997, a member of the Listing Committee of Shanghai Stock Exchange since 1996 and a member of China Auditing Standards Board (中國審計準則委員會) since 1994. He was the president of Shanghai University of Finance and Economics from October 1993 to January 1999 and served as a lecturer, associate professor, assistant to the president, professor and vice president of Shanghai University of Finance and Economics from 1984 to September 1993. Mr. Tang received a bachelor's degree in economics from Shanghai University of Finance and Economics in August 1968, a master's degree in economics from Shanghai University of Finance and Economics in August 1983 and a doctor's degree in accounting from Shanghai University of Finance and Economics in August 1987. Currently, Mr. Tang serves as independent directors of companies such as Ping An Insurance (Group) Company of China, Ltd. Mr. Tang was honored by American Accounting Association as a distinguished international visiting professor and was recognized by State Education Commission and Ministry of Human Resources as returned overseas with outstanding contributions to the progress of socialist modernization.

SUPERVISORS *(CONTINUED)*

Mr. Zhao Lihua, born in September 1942, is an independent supervisor of the Company. Mr. Zhao has accumulated substantial experience in corporate management. He has been an independent Supervisor of the Company since November 2011 and served as an independent director of China Fiberglass from July 2003 to April 2011 and the chief supervisor of Sinosafe General Insurance Co. Ltd. He served as the chairman of the board of directors of Hebei Huda Technology and Education Development Co., Ltd. from March 2000 to October 2002, the vice director of Hunan Physics Association (湖南省物理學會) from March 1997 to August 2008. He has been a Ph.D supervisor in Hunan University since May 1996. From May 1995 to July 1995, he conducted cooperative research in University of Wisconsin-Madison. He served as a vice president of Hunan University from March 1992 to March 2000 and was a visiting professor of University of Hanover in Germany in 1989. He served as a professor of the Department of Applied Physics since June 1987 and the deputy head and head of Laboratory Management Department of Hunan University from March 1984 to March 1992. Mr. Zhao was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and successively served as an instructor, a lecturer and associate professor of the department of applied physics in Hunan University from May 1978 to June 1987. Mr. Zhao received a bachelor's degree in theoretical physics from Hunan University in July 1965 and published more than 160 scientific research papers in renowned domestic and international academic journals. Mr. Zhao currently serves as an independent director of China Glass Holdings Limited. Mr. Zhao was awarded the second prize of technology advancement for the Ministry of Machine Building (機械工業部科技進步二等獎) and the third prize of technology advancement for the Ministry of Education (教育部科技進步三等獎).

Ms. Cui Shuhong, born in March 1968, is currently a staff representative Supervisor and the general manager of the Administration and Human Resources Department of the Company. Ms. Cui has nearly 20 years' experience in management positions. Ms. Cui has been a staff representative supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company since April 2005 and the chairman of the supervisory committee of the CNBM Investment since September 2004. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990. She is a senior economist.

Mr. Liu Zhiping, born in November 1962, is a staff representative Supervisor of the Company. Mr. Liu had nearly 25 years of experience in economic management and investment. Mr. Liu has been the executive vice president of Southwest Cement since March 2012, a staff representative supervisor of the Company since June 2008, a supervisor of South Cement since September 2007, the general manager of the Company's Investment Development Department since April 2005 and the chairman of the supervisory committee of China Composites since September 2004. He served as the deputy head of General Manager's Office of Parent from August 2004 and March 2005, the general manager of Strategic Development Department of Finance Company of HNA Group Co., Ltd. from January 2004 to July 2004, the general manager assistant of Zhongxin Group Finance Company from May 2002 to December 2003, the General Manager of Foreign Currency Department (外匯業務部) in China Education Technology Trust Investment Company from November 1994 to May 2002, the deputy head of Foreign Currency Management Office (外匯管理處) of National Foreign Currency Bureau (Hainan Branch) from November 1993 to November 1994 and the deputy head of policy and law department of National Foreign Currency Bureau from August 1988 to November 1993. Mr. Liu received a bachelor's degree in economics in July 1985 and a master's degree in banking and currency in July 1988 from Jilin Trade and Business College. He obtained a doctor's degree of management from Huazhong University of Science and Technology in October 2000. He is a senior economist.

SENIOR MANAGEMENT

Mr. Cao Jianglin is the president of the Company. Please refer to the section headed “Executive Directors” for his biographical details.

Mr. Peng Shou is a vice president of the Company. Please refer to the section headed “Executive Directors” for his biographical details.

Mr. Cui Xingtai is a vice president of the Company. Please refer to the section headed “Executive Directors” for his biographical details.

Mr. Chang Zhangli is a vice president of the Company. Please refer to the section headed “Executive Directors” for his biographical details.

Mr. Li Yimin, born in January 1954, is a vice president of the Company. Mr. Li has nearly 35 years of experience in business and management in the building materials industry. Mr. Li has been the chairman of the supervisory committee of China United since December 2011, the chief engineer of the Company from November 2011 and the chairman of the supervisory committee of China Fiberglass since April 2011, a director of CNBM Investment since August 2008. He served as an executive Director of the Company from January 2006 to November 2011 and a director of China United from April 2005 to December 2011. He has been the vice president of the Company since March 2005 and served as the chief engineer of Parent from December 2003 to March 2005, the chairman of BNBM from April 2002 to February 2004, and the general manager of BNBM from May 1997 to April 2002. From January 1996 to December 2003, Mr. Li served successively as the executive vice general manager, vice chairman and the general manager of BNBMG. He also served as the deputy head of BNBMG (prior to its conversion from Beijing New Building Materials Factory) from September 1985 to January 1996. Mr. Li received a bachelor’s degree in electro-mechanical engineering management from Shanghai Tongji University in August 1978 and a master’s degree in engineering management from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1995. He is a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council.

Mr. Zhang Dingjin, born in November 1957, is a vice president of the Company. Mr. Zhang has over 25 years of experience in business and management in the building materials industry. He has served as the vice president of the Company since March 2005, the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, the deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor’s degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Li consecutively acts as the vice president of China Composites Industry Association (中國複合材料工業協會).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Chen Xuean, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has over 20 years' experience in financial management. Mr. Chen has served as a director of BNBM since September 2012, a director of China Composites since December 2011, the vice president of the Company since November 2011, the chairman of the supervisory committee of North Cement since March 2009, a director of CNBM Investment since August 2008, a director of South Cement since September 2007, a director of China United since October 2006, a supervisor of China Fiberglass since July 2005 and the chief financial officer of the Company since March 2005. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of State-owned Assets Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a senior accountant and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

Mr. Yao Jixin, born in May 1955, is a vice president of the Company. Mr. Yao has over 25 years of experience in operation and management in the cement industry. He has been a vice president of the Company since August 2009, the vice chairman of South Cement since June 2009 and the secretary to the Party Committee of South Cement since April 2009. He served as the president of South Cement from September 2008 to June 2009 and the general manager of Zhejiang Sanshi Group Company Limited from March 1999 to August 2009. Mr. Yao has served as secretary of the Party Committee of Sanshi Group Company Limited since March 1999 and the chairman of Sanshi Group Company Limited since March 1998. He served as the chairman of Zhejiang Sanshi Cement Company Limited (浙江三獅水泥股份有限公司) from September 1997 to July 2011, a Party Committee member, vice chairman and general manager of Zhejiang Sanshi Cement Company Limited (浙江三獅水泥股份有限公司) from August 1994 to September 1997, an executive deputy manager of Zhejiang Cement Plant from July 1990 to August 1994 and a Party Committee member and deputy manager of Jiangshan Cement Plant (江山水泥廠) from November 1984 to July 1990. Mr. Yao is a senior economist who received an MBA degree from Macau University of Science and Technology in October 2005 and a doctor's degree in management from Macau University of Science and Technology in October 2010. At present Mr. Yao consecutively acts as the vice president of China Building Material Federation and the vice president of China Cement Association. Mr. Yao has won many awards, including National Outstanding Young Entrepreneur, Outstanding Business Management Worker in the national building materials industry, National May Day Labor Medalist, National Excellent Entrepreneur, Top Ten Outstanding Figures in China's Cement Industry during the 15th Five-Year Plan Period as well as the first prize of National Corporate Management Modernization and Innovation Achievement (全國企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. He has served as a director of Southwest Cement since December 2011, the president of South Cement since June 2009, a vice president of the Company and a director of South Cement since February 2009. From February 2006 to February 2008, he served as the president of Tianrui Corporation, and concurrent chairman and general manager of Tianrui Group Cement Co., Ltd. From March 2004 to December 2005, he served as a secretary of Party Committee in Daye City, Hubei Province and a director of the Standing Committee of People's Congress of Daye City. From November 2001 to March 2004, he served as deputy party secretary and mayor of Daye City, Hubei Province. From April 1997 to November 2001, he served as a director, the general manager assistant, the vice general manager and Standing Party Committee member in Huaxin Cement (Group) Co., Ltd.. From July 1991 to April 1997, he served as the head in the lime mine of Hubei Huaxin Cement (Group) Co., Ltd.. From July 1982 to July 1991, Mr. Xiao served as an engineer, the head of the mine workshop of Guizhou Shuicheng Cement Plant. Mr. Xiao received a bachelor's degree in mining engineering of the non-metallic department from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology)in August 1982, an MBA degree from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1997 and a doctor's degree in management from Huazhong University of Science and Technology in July 2004. He is a professor-grade senior engineer. At present Mr. Xiao consecutively acts as the vice chairman of China Cement Association. He was honoured as a National Outstanding Scientific Worker and the National Advanced Individual in Quality Management, and was granted honours including National Frontier Excellence Awards (全國邊陲優秀兒女獎章) and the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated over 15 years of experience in business and management in building materials industry. He has been a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司, currently known as China Fiberglass) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited(成都西南北新建材有限公司)from July 1998 to September 2002, and the regional manager of BNBMG from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology in June 2012. Mr. Wang is a senior engineer. At present Mr. Wang consecutively acts as a member of China Youth Federation, a member of the standing committee and the vice secretary of State-owned Enterprise Youth Federation (中央企業青聯), the vice chairman and deputy director of the China Capital Entrepreneurs' Club(企業家俱樂部), the executive vice chairman of Gypsum Building Material Branch of China Building Materials Federation, a director of New Building Material Expert Committee under China Building Materials Industry Economic Research Association(中國建材工業經濟研究會新型建材專家委員會), the chairman of Beijing Entrepreneurs Enterprise Confederation (北京企業聯合會北京市企業家協會), the vice chairman of China Insulation and Energy Efficiency Materials Association(中國絕熱節能材料協會)and the vice chairman of China Construction and Decoration Material Association(中國建築裝飾裝修材料協會). Mr. Wang was granted many awards, including the Fourth Session of National Building materials industry Outstanding Entrepreneur(第四屆全國建材行業優秀企業家), the National Building Material and Decoration Industry Outstanding Entrepreneur(全國建築材料裝飾行業優秀企業家) and Beijing Outstanding Entrepreneur (北京市優秀企業家).

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has over 20 years experience in building materials industry. Mr. Cai has been a director of Southwest Cement since December 2011 and the vice chairman of China Fiberglass since October 2009, a vice president of the Company since August 2009 and a director of South Cement since September 2007. From May 2006 to October 2009, he served as the director and vice general manager of China Fiberglass. He has been the president of CNBM Investment since April 2004 and a director of CNBM Investment since March 2003. From July 2005 to May 2006, he served as a supervisor of China Fiberglass. From December 2000 to April 2004, he served as vice president of BND Co., Limited (currently known as CNBM Investment). From November 1999 to January 2001, he served as a general manager assistant of China National Building Material & Equipment Import and Export Company Zhujiang Branch. From June 1998 to November 1999, he served as a deputy manager in the planning and financial department of China National Building Material & Equipment Import and Export Company Zhujiang Branch. Mr. Cai is an accountant who received a bachelor's degree in economics (normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Party Member of Shenzhen, Outstanding Entrepreneur of Building Materials Industry (建材行業優秀企業家), the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果) and listed in Elites' Register of Building Materials Industry in 2008 (建材行業精英錄).

QUALIFIED ACCOUNTANT

Ms. Pei Hongyan, born in December 1973, is the qualified accountant of the Company. She has over 10 years of experience in accounting. Ms. Pei has been a director of China Fiberglass since April 2011, a supervisor of North Cement since August 2010, a qualified accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (全國建材行業企業管理現代化創新成果).

JOINT COMPANY SECRETARIES

Mr. Chang Zhangli is the joint company secretary of the Company. Please refer to the section headed "Executive Directors" for the biographical details.

Ms. Lo Yee Har Susan, born in November 1958, is the joint company secretary of the Company. Ms. Lo is an executive director of Corporate Services Department of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Lo has over 20 years of experience in the company secretarial area. She has served in a number of companies listed on the Stock Exchange. She is currently the joint company secretary of several companies listed on the Stock Exchange.

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation letter issued by each of the independent non-executive directors in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

BAKER TILLY
HONG KONG | 天職香港

To the shareholders of China National Building Material Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 215, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising certificate number P01183

Hong Kong, 22 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	**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	7	**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	8	**(6,507,145)**	(3,859,060)
Share of profit of associates	20	**458,642**	686,149
Profit before income tax	10	**9,923,869**	14,314,507
Income tax expense	11	**(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)*	13	**1.03**	1.48

The accompanying notes are an integral part of the consolidated financial statements.

	Note	2012 RMB'000	2011 RMB'000
Dividends			
— paid	12	**1,160,791**	502,109
— proposed	12	**836,849**	1,160,791

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2012

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year	**7,736,986**	10,745,739
Other comprehensive income/(expense), net of tax: ***(Note 11(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) *(Note 20)*	**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

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement Of Financial Position

As at 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	**105,413,739**	71,161,140
Prepaid lease payments	15	**11,667,731**	7,898,822
Investment properties	16	**318,842**	282,461
Goodwill	17	**31,002,443**	14,901,036
Intangible assets	18	**3,420,644**	2,147,433
Interests in associates	20	**6,350,167**	4,787,838
Available-for-sale financial assets	21	**575,337**	503,062
Deposits	23	**8,409,669**	6,914,437
Deferred income tax assets	32	**1,764,154**	906,210
		168,922,726	109,502,439
Current assets			
Inventories	24	**12,222,221**	9,677,220
Trade and other receivables	25	**45,611,201**	22,924,382
Held-for-trading investments	22	**247,663**	299,402
Amounts due from related parties	26	**5,824,406**	2,988,867
Pledged bank deposits	28	**3,383,274**	3,264,655
Cash and cash equivalents	28	**10,222,056**	9,738,253
		77,510,821	48,892,779
Current liabilities			
Trade and other payables	29	**47,250,608**	25,800,429
Amounts due to related parties	26	**2,023,967**	1,286,664
Borrowings - amount due within one year	31	**90,751,945**	53,117,981
Derivative financial instruments	30	**—**	464
Obligations under finance leases	33	**1,749,899**	873,537
Current income tax liabilities		**1,926,978**	2,108,342
Financial guarantee contracts due within one year	34	**—**	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	31	**51,864,572**	32,748,245
Deferred income		**1,026,178**	1,098,749
Obligations under finance leases	33	**3,514,960**	2,096,773
Financial guarantee contracts due after one year	34	**60,150**	64,000
Deferred income tax liabilities	32	**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	35	**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

The accompanying notes are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 94 to 215 were approved by the Board of Directors on 22 March 2013 and were signed on its behalf by:

Song Zhiping
Director

Cao Jianglin
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36 (a))*	Fair value reserve *(Note 36 (b))*	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	2,699,513	7,523,994	666,110	658,077	—	(3,467)	7,618,253	19,162,480	8,735,906	27,898,386
Profit for the year	—	—	—	—	—	—	8,015,074	8,015,074	2,730,665	10,745,739
Other comprehensive income/(expenses), net of tax *(Note 11(b))*										
— Currency translation differences	—	—	—	—	—	29,716	—	29,716	(868)	28,848
— Changes in fair value of available-for-sale financial assets, net	—	—	—	—	11,435	—	—	11,435	—	11,435
— Shares of associates' other comprehensive expense *(Note 20)*	—	—	(29,451)	—	—	—	—	(29,451)	—	(29,451)
Total comprehensive (expense)/income for the year	—	—	(29,451)	—	11,435	29,716	8,015,074	8,026,774	2,729,797	10,756,571
Issue of share	2,699,513	(2,699,513)	—	—	—	—	—	—	—	—
Dividends *(Note 12)*	—	—	—	—	—	—	(502,109)	(502,109)	—	(502,109)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	(729,722)	(729,722)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note 37 (a))*	—	—	—	—	—	—	—	—	252,711	252,711
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	1,137,580	1,137,580
Deregistration of subsidiary	—	—	—	—	—	—	—	—	(7,690)	(7,690)
Acquisition of non-controlling interests *(Note 38)*	—	—	(392,478)	—	—	—	—	(392,478)	(648,961)	(1,041,439)
Disposal of subsidiaries *(Note 37 (b))*	—	—	37,101	—	—	—	—	37,101	(190,227)	(153,126)
Appropriation to statutory reserve	—	—	—	267,046	—	—	(267,046)	—	—	—
Balance at 31 December 2011	5,399,026	4,824,481	281,282	925,123	11,435	26,249	14,864,172	26,331,768	11,279,394	37,611,162

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36 (a))*	Fair value reserve *(Note 36 (b))*	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012	5,399,026	4,824,481	281,282	925,123	11,435	26,249	14,864,172	26,331,768	11,279,394	37,611,162
Profit for the year	—	—	—	—	—	—	5,579,601	5,579,601	2,157,385	7,736,986
Other comprehensive income/(expenses), net of tax *(Note 11(b))*										
— Currency translation differences	—	—	—	—	—	3,340	—	3,340	(35)	3,305
— Changes in fair value of available-for-sale financial assets, net	—	—	—	—	(4,815)	—	—	(4,815)	(1,204)	(6,019)
— Shares of associates' other comprehensive income *(Note 20)*	—	—	834	—	—	—	—	834	—	834
Total comprehensive income/(expense) for the year	—	—	834	—	(4,815)	3,340	5,579,601	5,578,960	2,156,146	7,735,106
Dividends *(Note 12)*	—	—	—	—	—	—	(1,160,791)	(1,160,791)	—	(1,160,791)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	(1,353,666)	(1,353,666)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note 37 (a))*	—	—	—	—	—	—	—	—	585,816	585,816
Contributions from non-controlling interests	—	—	(453)	—	—	—	—	(453)	1,381,788	1,381,335
Acquisition of non-controlling interests *(Note 38)*	—	—	(264,250)	—	—	—	—	(264,250)	(484,959)	(749,209)
Appropriation to statutory reserve	—	—	—	715,814	—	—	(715,814)	—	—	—
Others	—	—	10,864	—	—	—	—	10,864	4,230	15,094
Balance at 31 December 2012	5,399,026	4,824,481	28,277	1,640,937	6,620	29,589	18,567,168	30,496,098	13,568,749	44,064,847

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit before income tax	**9,923,869**	14,314,507
Adjustments for:		
Share of profit of associates	**(458,642)**	(686,149)
Finance costs	**7,181,731**	4,128,664
Interest income	**(674,586)**	(269,604)
Dividend from available-for-sale financial assets	**(11,263)**	(7,116)
Gain on disposal of associates	**—**	(28,704)
Impairment loss on property, plant and equipment	**3,630**	100,898
Impairment loss on prepaid lease payments	**—**	148
(Gain)/ loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(31,917)**	4,269
(Increase)/decrease in fair value of held-for-trading investments	**(144,745)**	96,288
Deferred income released to the consolidated income statement	**(387,324)**	(75,163)
Depreciation of property, plant and equipment and investment properties	**3,924,911**	2,604,818
Amortisation of intangible assets	**230,472**	148,145
Financial guarantee income	**(4,008)**	(3,430)
Prepaid lease payments released to the consolidated income statement	**307,916**	163,589
Waiver of payables	**(252,635)**	(36,964)
Allowance for bad and doubtful debts	**65,728**	169,170
Write-down/(reversal of provision) of inventories	**2,558**	(6,388)
Fair value changes on derivative financial instruments	**(464)**	464
Staff costs arising from share appreciation rights	**839**	2,486
Impairment loss on available-for-sales financial assets	**—**	10,120
Discount on acquisition of interests in subsidiaries	**(42,965)**	(49,850)
Net foreign exchange (gains)/losses	**(846)**	15,203
Impairment loss on goodwill on subsidiaries	**—**	49,453
Gain on disposal of subsidiaries	**—**	(100,825)
Operating cash flows before working capital changes	**19,632,259**	20,544,029
Decrease/(increase) in inventories	**96,398**	(2,636,410)
Increase in trade and other receivables	**(2,578,577)**	(1,144,680)
Decrease in held-for-trading investments	**196,883**	50,936
Increase in amounts due from related parties	**(1,400,678)**	(480,259)
Decrease in trade and other payables	**(3,695,876)**	(2,894,660)
Increase in amounts due to related parties	**146,050**	275,028
Increase in deferred income	**314,753**	853,000
Cash generated from operations	**12,711,212**	14,566,984

	2012 RMB'000	2011 RMB'000
Cash generated from operations	**12,711,212**	14,566,984
Income tax paid	**(3,153,057)**	(2,737,816)
Interest received	**458,841**	224,421
Net cash generated from operating activities	**10,016,996**	12,053,589
Investing activities		
Purchases of available-for-sale financial assets	**(17,789)**	(80,289)
Purchase of property, plant and equipment	**(11,411,120)**	(12,287,551)
Addition to investment properties	**(28)**	(566)
Purchase of intangible assets	**(601,796)**	(285,722)
Proceeds on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**113,198**	68,850
Acquisition of interests in associates	**(1,358,880)**	(1,134,772)
Dividend received from associates	**92,508**	35,886
Proceeds from disposal of subsidiaries	**—**	157,907
Proceeds from disposal of associates	**—**	33,908
Dividend received from available-for-sale financial assets	**11,263**	7,116
Deposits paid	**(8,409,669)**	(5,053,354)
Deposits refunded	**6,914,437**	2,794,729
Payments for prepaid lease payments	**(314,524)**	(783,791)
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(13,981,011)**	(5,071,116)
Advances to related parties	**(1,213,220)**	(630,502)
Advances from immediate holding company	**—**	181,258
Payments to immediate holding company	**(95,540)**	—
Other payments for investing activities	**(6,655,711)**	(816,157)
Proceeds from repayment of loans receivable	**—**	42,611
Increase /(decrease) in new loans receivable	**49,893**	(49,893)
Increase /(decrease) in pledged bank deposits	**210,715**	(1,974,433)
Net cash used in investing activities	**(36,667,274)**	(24,845,881)

Consolidated Statement Of Cash Flows *(Continued)*

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Financing activities		
Interest paid	**(7,590,007)**	(4,175,635)
Dividend paid to shareholders	**(1,160,791)**	(502,109)
Dividend paid to non-controlling interests of subsidiaries	**(1,701,298)**	(1,042,734)
Payments for acquisition of additional interests in subsidiaries	**(749,209)**	(597,774)
Contributions from non-controlling interests	**1,368,831**	1,138,508
Repayment of borrowings	**(62,446,330)**	(39,438,657)
Other payments for financing activities	**(14,930,365)**	(3,724,073)
New borrowings raised	**112,886,297**	62,311,577
(Decrease)/ increase from related parties	**(228,457)**	215,464
Increase in obligations under finance leases	**1,656,898**	344,525
Net cash generated from financing activities	**27,105,569**	14,529,092
Net increase in cash and cash equivalents	**455,291**	1,736,800
Exchange gain on cash and cash equivalents	**28,512**	29,716
Cash and cash equivalents at beginning of the year	**9,738,253**	7,971,737
Cash and cash equivalents at end of the year	**10,222,056**	9,738,253

The accompanying notes are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

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

The registered office of the Company is located at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC.

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

The Company is an investment holding company. Particulars of the Company's principal subsidiaries are set out in Note 19. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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, as explained in the accounting policies set out below.

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 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.1 New and amended standards adopted by the Group *(Continued)*

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.

2.1.2 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 Statements, Joint Arrangements and Disclosure of Interest 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

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 inventories 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.

2.2 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

2.3 Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate entity is accounted for in the consolidated financial statements under the equity method and are initially recorded at cost, and thereafter is adjusted for, the post acquisition change in the Group's share of the associate entities' net assets and any impairment loss relating to the investment. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate entities' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Associates *(Continued)*

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

When the Group's share of losses exceeds its interest in the associate entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate entities. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate entity.

Unrealised profits and losses resulting from transactions between the Group and its associate entities are eliminated to the extent of the Group's interest in the associate entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal report provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the steering committee that makes strategic decisions.

2.6 Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 2.11).

Other service income is recognised when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Construction in progress represents property, plant and equipment in the course of construction for production or its own use purposes.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values. Straight line depreciation method is applied to land and buildings, plant and machinery and motor vehicles.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised and less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

2.8 Prepaid lease payments

Upfront prepayments made for the prepaid lease payments and leasehold land are initially recognised in the consolidated statement of financial position as prepaid lease payments and are released to the consolidated income statement on a straight line basis over the periods of the respective leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of the investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

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

2.10 Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recoginsed immediately to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.10 Leasing *(Continued)*

Leasehold land and building

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight line basis.

2.11 Constructions contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be reliably measured and they have been agreed with the customer.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Constructions contracts *(Continued)*

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

2.12 Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange translation reserve (attributed to non-controlling interests are appropriate).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Government grants

Government grants, which take many forms including VAT refunds, are recognised as income when the conditions for the grants are met and there is a reasonable assurance that the grant will be received. Government grant relating to expense items are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate and reported separately as other income. Where the grant relates to a depreciable asset, it is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

2.15 Retirement benefits costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Cash-settled share-based payment transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash. The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into accounts the terms and conditions upon which the instruments are granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is re-measured at fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement.

2.17 Taxation

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Deferred income tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the relevant amounts of deferred income tax is also dealt with in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Intangible assets

Patents

Patents have finite useful lives and are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

Trademarks

Trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

Mining rights

Mining rights have finite useful lives and are measured initially at purchase cost and are amortised on a straight line basis over the concession period. Subsequent to initial recognition, mining rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of the intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the consolidated income statement when the intangible assets are derecognised.

2.19 Impairment of tangible and intangible assets excluding goodwill

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

Intangible asset with indefinite useful life is tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Impairment of tangible and intangible assets excluding goodwill *(Continued)*

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

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

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

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.22 Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which income is included in investment and other income.)

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group only include financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

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

At each reporting date subsequent to initial recognition, financial assets a FVTPL are measured at fair value, with changes in value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Financial assets *(Continued)*

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including amounts due from associates, amounts due from related parties, trade and other receivables, pledge bank deposits and cash and deposits in banks and a financial institution) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

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

Available-for-sale equity securities are initially recognised at fair value plus transaction costs. At each reporting date, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Financial assets *(Continued)*

Impairment of financial assets

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

Impairment losses on available-for-sale equity investments will not be reversed in the consolidated income statement in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises collateralised borrowing for the proceeds received. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and in equity is recognised in the consolidated income statement.

2.24 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held-for-trading or it is designated as at FVTPL on initial recognition.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the interest revenue recognition policies above.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability, and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 30.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

2.26 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of key management personnel of the Group or the Company's parent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.28 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); and

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.29 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group seeks to minimise the effects of some of these risks by using derivative financial instruments.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk, interest rate risk and equity price risk. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Foreign currencies are also used to collect the Group's revenue from overseas operations and to settle purchases of machinery and equipment suppliers and certain expenses.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**251,274**	152,108	**283,810**	410,775
European Dollar ("EUR")	**50,503**	38,153	**179,688**	35,076
Hong Kong Dollar ("HKD")	**41,509**	—	**23,006**	3,229
Papua New Guinea Kina ("PGK")	**56,993**	54,790	**130,511**	106,049
Saudi Arabian Riyal ("SAR")	**153**	8,383	**9,197**	8,673
Vietnamese Dong ("VND")	**27,428**	27,428	**28,402**	28,351
Kazakhstan Tenge ("KZT")	**57,035**	65,949	**9,759**	11,950
Australian Dollar ("AUD")	**9,240**	24,397	**503**	18,070
Others	**—**	—	**9,859**	323

The Group currently enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 6.44% increase or decrease in RMB against the relevant foreign currencies. 6.44% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6.44% change in foreign currency rates. A negative number below indicates a decrease in profit where RMB strengthen 6.44% against the relevant currency. For a 6.44% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

Effect on profit after tax

	2012 ***RMB'000***	2011 *RMB'000*
USD	**(1,634)**	(12,505)
EUR	**(6,485)**	149
HKD	**929**	(156)
PGK	**(3,691)**	(2,478)
SAR	**(454)**	(14)
VND	**(49)**	(45)
KZT	**2,374**	2,610
AUD	**439**	306
	(8,571)	(12,133)

The change in exchange rate does not affect other component of equity.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry at prevailing market interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate risk on bank balances is minimal as the fluctuation of the prevailing market interest rate is insignificant.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the basic interest rate declared by People's Bank of China arising from the Group's long-term borrowings.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB50,957.08 million (2011: RMB48,506.95 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2012 would decrease by RMB500.57 million (2011: RMB458.81 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of available-for-sale and held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets disclosed in Note 21 and held-for-trading investments disclosed in Note 22 as at 31 December 2012. The Group's listed investments are listed on the Shenzhen and Shanghai Stock Exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period date, and its respective highest and lowest point during the year was as follows:

	31 December 2012	**High/low 2012**	31 December 2011	High/low 2011
Shenzhen Stock Exchange — A Share Index	**9,117**	**10,613/7,711**	8,919	13,233/8,555
Shanghai Stock Exchange — Composite Index	**2,269**	**2,461/1,960**	2,199	3,067/2,134

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the fair values against the Group's profit after tax with all other variables held constant on their carrying amounts at the end of the reporting period.

	2012		2011	
	Carrying amount of equity investments	**Increase in profit after tax**	Carrying amount of equity investments	Increase in profit after tax
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Investments listed in:				
Shenzhen and Shanghai Stock Exchange				
— Held-for-trading	**247,663**	**19,309**	299,402	22,476
— Available-for-sale	**231,099**	**18,017**	237,117	17,800

For a 10% decrease in the fair values of the equity investments, there would be an equal and opposite impact on the profit.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, pledged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 39.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to cover overdue debts. The management also sets several policies to encourage the salespersons increasing the receivables gathering. In addition, the Group reviews the recoverable amounts of trade receivables at each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

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

The credit risk on bills receivable is limited because the bills are guaranteed by banks for payments and the banks are either the state-owned banks or other creditworthy financial institutions in the PRC.

The Group has no significant concentration of credit risk. Trade receivables (including amounts due from related parties with trading nature) consist of a large number of customers, spread across diverse geographical areas.

(c) Liquidity risk

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

As at 31 December 2012, the Group has net current liabilities and capital commitments of approximately RMB66,406.94 million (2011: approximately RMB34,457.91 million) and approximately RMB1,609.85 million (2011: approximately RMB1,759.13 million) (Note 40), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2012, the Group had unused banking facilities and bonds, registered but not yet issued, of approximately RMB63,074.16 million (2011: approximately RMB26,228.63 million).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012									
Trade and other payables	–	47,250,608	–	–	–	–	–	47,250,608	47,250,608
Amounts due to related parties									
– interest-free	–	1,435,647	–	–	–	–	–	1,435,647	1,435,647
– variable rate	6.86%	491,673	–	–	–	–	–	491,673	460,109
– fixed rate	6.74%	133,429	–	–	–	–	–	133,429	125,000
Advances from immediate holding company	–	3,218	–	–	–	–	–	3,218	3,218
Borrowings									
– fixed rate bank loans	5.56%	47,877,800	6,003,325	5,824,934	961,719	562,084	305,103	61,534,965	57,211,658
– variable rate bank loans	6.42%	31,335,629	6,237,538	11,757,425	1,704,084	2,346,585	1,441,419	54,822,680	50,957,079
– other borrowings from non-financial institutions	6.00%	–	–	–	–	–	368,647	368,647	347,780
– bonds	4.09%	17,733,249	8,406,400	4,101,600	–	5,254,000	–	35,495,249	34,100,000
Obligations under finance leases	5.97%	1,784,692	1,730,281	1,190,611	696,144	267,076	–	5,668,804	5,264,859
Dividend payable to non-controlling interests	–	214,366	–	–	–	–	–	214,366	214,366
Financial guarantee contracts	5.35%	–	–	–	63,368	–	–	63,368	60,150
		148,260,311	22,377,544	22,874,570	3,425,315	8,429,745	2,115,169	207,482,654	197,430,474

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011									
Trade and other payables	—	25,800,429	—	—	—	—	—	25,800,429	25,800,429
Amounts due to related parties									
— interest-free	—	1,151,516	—	—	—	—	—	1,151,516	1,151,516
— variable rate	6.56%	21,470	—	—	—	—	—	21,470	20,148
— fixed rate	6.10%	15,915	—	—	—	—	—	15,915	15,000
Advances from immediate holding company	—	100,000	—	—	—	—	—	100,000	100,000
Borrowings									
— fixed rate bank loans	6.09%	16,151,271	2,221,579	3,166,555	3,400,790	1,463,615	1,150,105	27,553,915	25,877,173
— variable rate bank loans	5.84%	37,603,961	7,419,346	2,670,546	1,790,478	1,524,863	504,309	51,513,503	48,506,953
— other borrowings from non-financial institutions	6.56%	458,315	—	—	—	—	—	458,315	430,100
— bonds	5.78%	2,739,511	525,091	8,477,091	43,200	43,200	1,043,200	12,871,293	11,052,000
Obligations under finance leases	6.27%	1,005,281	972,605	842,626	349,102	117,410	—	3,287,024	2,970,310
Dividend payable to non-controlling interests	—	163,112	—	—	—	—	—	163,112	163,112
Financial guarantee contracts	5.35%	166	—	—	—	67,424	—	67,590	64,158
		85,210,947	11,138,621	15,156,818	5,583,570	3,216,512	2,697,614	123,004,082	116,150,899

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The contractual expiry periods of financial guarantees are as follows:

	2012 *RMB'000*	**Expiry periods**	2011 *RMB'000*	Expiry periods
Guarantee given to banks in respect of banking facilities utilised by independent third parties	**355,000**	**(2013-2016)**	293,000	(2012-2016)

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is approximately RMB355.00 million (2011: approximately RMB293.00 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3.2 Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 31, cash and cash equivalents disclosed in Note 28 and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Group review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

(a) Financial instruments carried at fair value

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

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Held-for-trading investments	247,663	—	—	247,663
Available-for-sale financial assets	231,099	—	—	231,099
Total assets	478,762	—	—	478,762

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

(a) Financial instruments carried at fair value *(Continued)*

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	299,402	—	—	299,402
Available-for-sale financial assets	237,117	—	—	237,117
Total assets	536,519	—	—	536,519
Liabilities				
Derivative financial instruments	—	464	—	464
Total liabilities	—	464	—	464

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quotes prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The instruments are included in level 1. Instruments includes in level 1 comprise primarily Shenzhen Stock Exchange and Shanghai Stock Exchange equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There is no transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

(b) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2, 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 write down of 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.4. 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). Details of the recoverable amount calculation are disclosed in Note 17.

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.

5 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

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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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 released to consolidated income statement	(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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2012 *(continued)*

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, other expenses, central administration costs, net finance costs, 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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2012 *(continued)*

	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 *(Continued)*								
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 write down) of inventories	1,352	(1,372)	—	—	—	2,578	—	2,558
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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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 released to consolidated income statement	(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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2011 (Revised) *(continued)*

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight Building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
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 write down of inventories	—	—	(3,358)	(3,030)	—	—	—	(6,388)

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2011 (Revised) *(continued)*

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight Building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
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.

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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 profit	**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

6 SEGMENTS INFORMATION *(CONTINUED)*

(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.

7 INVESTMENT AND OTHER INCOME

	2012	2011
	RMB'000	*RMB'000*
Dividend from available-for-sale financial assets	**11,263**	7,116
Discount on acquisition of interests in subsidiaries *(Note 37(a))*	**42,965**	49,850
Financial guarantee income *(Note 34)*	**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 *(Note 16)*	**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 *(Note 37(b))*	**—**	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.

8 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 receivable	**(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.

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2012

	Fees	Salaries, allowance and benefits-in-kind	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	332	528	33	—	893
Mr. Chang Zhangli	—	402	300	33	58	793
Mr. Peng Shou	—	429	540	17	58	1,044
Mr. Cui Xingtai	—	425	540	33	58	1,056
Non-executive directors						
Mr. Guo Chaomin	—	125	—	—	—	125
Mr. Huang Anzhong	—	125	—	—	—	125
Ms. Cui Lijun	—	155	—	—	—	155
Independent non-executive directors						
Mr. Qiao Longde	—	300	—	—	—	300
Mr. Li Decheng	—	300	—	—	—	300
Mr. Ma Zhongzhi	—	300	—	—	—	300
Mr. Fang Shin	—	300	—	—	—	300
Mr. Wu Liansheng	—	300	—	—	—	300
Supervisors						
Mr. Wu Jiwei	—	83	—	—	—	83
Ms. Zhou Guoping	—	83	—	—	—	83
Independent supervisors						
Mr. Tang Yunwei	—	200	—	—	—	200
Mr. Zhao Lihua	—	200	—	—	—	200
Ms. Cui Shuhong	—	159	102	33	23	317
Mr. Liu Zhiping	—	159	102	33	23	317
	—	4,377	2,112	182	220	6,891

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

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

Year ended 31 December 2011

	Fees	Salaries, allowance and benefits-in-kind	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	329	578	30	—	937
Mr. Chang Zhangli	—	394	300	30	201	925
Mr. Peng Shou	—	403	540	16	201	1,160
Mr. Cui Xingtai	—	420	540	30	201	1,191
Non-executive directors						
Mr. Guo Chaomin	—	25	—	—	—	25
Mr. Huang Anzhong	—	125	—	—	—	125
Ms. Cui Lijun	—	161	—	—	—	161
Independent non-executive directors						
Mr. Qiao Longde	—	50	—	—	—	50
Mr. Li Decheng	—	250	—	—	—	250
Mr. Ma Zhongzhi	—	150	—	—	—	150
Mr. Fang Shin	—	50	—	—	—	50
Mr. Wu Liansheng	—	50	—	—	—	50
Supervisors						
Mr. Wu Jiwei	—	17	—	—	—	17
Ms. Zhou Guoping	—	67	—	—	—	67
Independent supervisors						
Mr. Tang Yunwei	—	33	—	—	—	33
Mr. Zhao Lihua	—	33	—	—	—	33
Ms. Cui Shuhong	—	156	102	30	78	366
Mr. Liu Zhiping	—	154	102	30	78	364
	—	2,867	2,162	166	759	5,954

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2011: nil) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining five (2011: five) individuals were as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries, allowances and benefits-in-kind	**1,468**	1,388
Share appreciation rights	**58**	201
Discretionary bonuses	**6,267**	7,093
Retirement plan contributions	**114**	104
	7,907	8,786

Their emoluments paid by the Group are within the following bands:

	Number of the five highest paid individuals	
	2012	2011
Nil - HKD1,000,000 (equivalent to RMB814,730)	—	—
HKD1,000,001 - HKD1,500,000 (equivalent to RMB1,222,090)	—	—
HKD1,500,001 - HKD2,000,000 (equivalent to RMB1,629,460)	3	4
HKD2,000,001 - HKD2,500,000 (equivalent to RMB2,036,830)	2	1

No emoluments were paid by the Group to the directors, supervisors nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and none of the directors and supervisors has waived any emoluments for both years.

10 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	**—**	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 write down) 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

11 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 *(Note 32)*	**(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

11 INCOME TAX EXPENSE *(CONTINUED)*

(a) Taxation in the consolidated income statement *(Continued)*

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 *(Note 32)***	**Net of taxation**	Before taxation	Taxation charged *(Note 32)*	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

12 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 final dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

13 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

	2012	2011
	'000	*'000*
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.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2011	5,389,803	21,922,090	28,506,278	915,740	56,733,911
Additions	8,883,612	901,169	897,346	186,706	10,868,833
Acquisition of subsidiaries *(Note 37(a))*	1,447,993	5,843,481	4,459,506	173,263	11,924,243
Transfer from construction in progress	(8,377,869)	3,379,223	4,987,460	11,186	—
Transfer to construction in progress for reconstruction	20,954	(10,833)	(19,570)	—	(9,449)
Disposals	(32,359)	(350,319)	(421,896)	(33,436)	(838,010)
Disposal of subsidiaries *(Note 37(b))*	(54,886)	(244,524)	(207,366)	(6,959)	(513,735)
As at 31 December 2011 and 1 January 2012	7,277,248	31,440,287	38,201,758	1,246,500	78,165,793
Additions	7,181,032	683,385	688,636	270,807	8,823,860
Acquisition of subsidiaries *(Note 37(a))*	4,223,032	12,747,877	10,313,287	2,886,211	30,170,407
Transfer from construction in progress	(8,055,838)	3,636,089	4,407,114	12,635	—
Transfer to construction in progress for reconstruction	807,880	(435,639)	(612,252)	(66)	(240,077)
Transfer to prepaid lease payments *(Note 15)*	(100,197)	(3,743)	—	—	(103,940)
Transfer to investment properties *(Note 16)*	(15,920)	(32,087)	—	—	(48,007)
Disposals	(103,573)	(298,261)	(477,364)	(75,752)	(954,950)
As at 31 December 2012	11,213,664	47,737,908	52,521,179	4,340,335	115,813,086

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress	Land and buildings	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and impairment					
As at 1 January 2011	25,677	1,397,941	3,412,769	175,873	5,012,260
Charge for the year	—	656,605	1,857,289	83,096	2,596,990
Transfer to construction in progress for reconstruction	—	(773)	(8,676)	—	(9,449)
Disposals	—	(110,287)	(363,968)	(21,710)	(495,965)
Disposal of subsidiaries *(Note 37(b))*	—	(87,929)	(109,947)	(2,205)	(200,081)
Impairment loss recognised	52,709	1,584	45,246	1,359	100,898
As at 31 December 2011 and 1 January 2012	78,386	1,857,141	4,832,713	236,413	7,004,653
Charge for the year	—	1,001,895	2,659,650	255,146	3,916,691
Transfer to construction in progress for reconstruction	—	(44,421)	(195,603)	(53)	(240,077)
Transfer to investments properties *(Note 16)*	—	(73)	—	—	(73)
Disposals	—	(51,750)	(187,899)	(45,828)	(285,477)
Impairment loss recognised/(reversal)	4,604	—	(675)	(299)	3,630
As at 31 December 2012	82,990	2,762,792	7,108,186	445,379	10,399,347
Carrying values					
As at 31 December 2012	11,130,674	44,975,116	45,412,993	3,894,956	105,413,739
As at 31 December 2011	7,198,862	29,583,146	33,369,045	1,010,087	71,161,140

The carrying value amount of land and buildings shown above comprises leasehold interests in land situated in the PRC under medium term leases.

As at 31 December 2012, the carrying value of plant and machinery includes an amount of approximately RMB5,135.77 million (2011: approximately RMB4,405.13 million) in respect of assets held under finance leases.

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

At the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Construction in progress	**22,904**	—
Land and buildings	**2,325,897**	3,301,462
Plant and machinery	**4,040,694**	1,804,805
Motor vehicles	**26,361**	4,272
Total	**6,415,856**	5,110,539

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, as follows:

Land and buildings	2.38%
Plant and machinery	5.28% to 9.50%
Motor vehicles	9.50%

At 31 December 2012, land and buildings with carrying value of approximately RMB4,397.06 million (2011: approximately RMB3,554.92 million) are still in the process of applying the title certificates.

15 PREPAID LEASE PAYMENTS

	2012	2011
	RMB'000	*RMB'000*
Carrying amount		
As at 1 January	**8,093,256**	6,342,139
Additions	**314,524**	783,791
Acquisition of subsidiaries *(Note 37(a))*	**3,760,889**	1,220,942
Released to the consolidated income statement	**(307,916)**	(163,589)
Disposals	**(49,592)**	(15,719)
Disposal of subsidiaries *(Note 37(b))*	**—**	(74,160)
Transfer from property, plant and equipment *(Note 14)*	**103,940**	—
Impairment loss recognised	**—**	(148)
As at 31 December	**11,915,101**	8,093,256

Analysis of the carrying amount of prepaid lease payments is as follows:

	2012	2011
	RMB'000	*RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**11,667,731**	7,898,822
Current portion included in trade and other receivables *(Note 25)*	**247,370**	194,434
	11,915,101	8,093,256

The amount represents the prepaid lease payments situated in the PRC for a period of 10 to 50 years.

As at 31 December 2012, the Group has pledged prepaid lease payments with a carrying value of approximately RMB1,537.30 million (2011: approximately RMB573.10 million) to secure bank borrowings granted to the Group.

As at 31 December 2012, prepaid lease payments with carrying value of approximately RMB186.82 million (2011: approximately RMB344.84 million) are still in the process of applying the title certificates.

16 INVESTMENT PROPERTIES

	2012	2011
	RMB'000	*RMB'000*
Cost		
As at 1 January	**345,778**	341,064
Additions	**28**	566
Acquisition of subsidiaries *(Note 37(a))*	**—**	4,148
Disposals	**(3,428)**	—
Transfer from property, plant and equipment *(Note 14)*	**48,007**	—
As at 31 December	**390,385**	345,778
Depreciation		
As at 1 January	**63,317**	55,489
Charge for the year	**8,220**	7,828
Disposals	**(67)**	—
Transfer from property, plant and equipment *(Note 14)*	**73**	—
As at 31 December	**71,543**	63,317
Carrying values		
As at 31 December	**318,842**	282,461

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2011: 2.38%) per annum.

As at 31 December 2012, the Group has pledged investment properties with carrying value of approximately of RMB165.00 million (2011: approximately RMB216.30 million) to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2012 was approximately RMB643.95 million (2011: approximately RMB596.83 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB47.74 million (2011: approximately RMB41.50 million). Direct operating expenses arising on the investment properties amounted to approximately RMB14.85 million (2011: approximately RMB7.54 million).

17 GOODWILL

	2012	2011
	RMB'000	*RMB'000*
As at 1 January	**14,901,036**	9,034,431
Arising from acquisition of subsidiaries *(Note 37(a))*	**16,101,407**	6,072,390
Disposal of subsidiaries *(Note 37(b))*	**—**	(156,332)
Impairment loss for the year	**—**	(49,453)
As at 31 December	**31,002,443**	14,901,036

Goodwill is allocated to the cash-generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated as follows:

	2012	2011
	RMB'000	*RMB'000*
Cement	**25,332,156**	14,570,431
Concrete	**5,531,560**	191,878
Lightweight building materials	**87,205**	87,205
Glass fiber and composite materials	**32,690**	32,690
Engineering services	**62**	62
Others	**18,770**	18,770
	31,002,443	14,901,036

The Group tests goodwill annually for impairment, or more frequently, if there are indications that goodwill might be impaired.

The Group determines the value in use of CGUs based on estimated discounted cash-flows, the discount rates and annual growth rates.

The Group prepares cash flow forecasts derived from the most recent financial budgets of 5 years. The cash flows for the following five years are extrapolated with varying growth rates assuming the existing level of sales and production remaining the same and based on the average long-term growth rate for the business in which the CGU operates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The average discount rate of 10% per annum are post-tax and reflect specific risks relating to the Group.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of each CGU or groups of CGUs to exceed its recoverable amount.

18 INTANGIBLE ASSETS

	Mining rights RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost			
As at 1 January 2011	1,596,506	84,474	1,680,980
Additions	244,186	41,536	285,722
Acquisition of subsidiaries *(Note 37(a))*	509,614	22,420	532,034
Disposals	—	(5,923)	(5,923)
Disposal of subsidiaries *(Note 37(b))*	—	(1,552)	(1,552)
As at 31 December 2011 and 1 January 2012	2,350,306	140,955	2,491,261
Additions	540,865	60,931	601,796
Acquisition of subsidiaries *(Note 37(a))*	826,457	83,306	909,763
Disposals	(14,442)	(12,683)	(27,125)
As at 31 December 2012	3,703,186	272,509	3,975,695
Amortisation and impairment			
As at 1 January 2011	166,625	34,094	200,719
Charge for the year	136,842	11,303	148,145
Disposals	—	(4,781)	(4,781)
Disposal of subsidiaries *(Note 37(b))*	—	(255)	(255)
As at 31 December 2011 and 1 January 2012	303,467	40,361	343,828
Charge for the year	200,014	30,458	230,472
Disposals	(11,708)	(7,541)	(19,249)
As at 31 December 2012	491,773	63,278	555,051
Carrying values			
As at 31 December 2012	3,211,413	209,231	3,420,644
As at 31 December 2011	2,046,839	100,594	2,147,433

18 INTANGIBLE ASSETS *(CONTINUED)*

Trademarks have indefinite useful lives. Patents included above have finite useful lives, over which the assets are amortised. The amortisation rates of patents are ranging from 5% to 10% per annum. Mining rights are amortised over its concession period from 2 to 30 years.

As at 31 December 2012, the Group has pledged mining rights with carrying value of approximately RMB22.18 million (2011: approximately RMB14.99 million) to secure bank borrowings granted to the Group.

The directors of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised for the year ended 31 December 2012 and 31 December 2011 in the consolidated income statement.

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2012 and 31 December 2011, which are established and operated in the PRC, are as follows:

		Attributable equity interest to the Company				
	Nominal value of	Direct		Indirect		
Name of subsidiary	**paid-in capital**	**2012**	**2011**	**2012**	**2011**	**Principal activities**
	(Note i)	%	%	%	%	
BNBM *(Note i, ii)*	RMB575,150,000	**52.40**	52.40	**—**	—	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") *(Note iii)*	RMB155,625,000	**—**	—	**34.06**	34.06	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited	RMB80,000,000	**—**	—	**52.40**	52.40	Production and sale of lightweight building materials
Heilongjiang Binzhou Cement Company Limited ("Binzhou Cement")	RMB50,000,000	**100.00**	100.00	**—**	—	Production and sale of cement
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**—**	—	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**—**	—	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**—**	—	**80.88**	80.88	Production and sale of cement

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital (Note i)	Attributable equity interest to the Company Direct 2012 %	Direct 2011 %	Indirect 2012 %	Indirect 2011 %	Principal activities
Qingzhou China United Cement Company Limited	RMB200,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Taishan China United Cement Company Limited	RMB270,000,000	**—**	—	**95.68**	95.68	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**—**	—	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**—**	—	**100.00**	100.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Xuzhou China United Cement Company Limited	RMB346,940,000	**—**	—	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement")	RMB1,000,000,000	**80.00**	80.00	**—**	—	Production and sale of cement
Hangzhou South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jinhua South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Huzhou South Cement Company Limited	RMB390,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiazing South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiangsu South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Hunan South Cement Company Limited	RMB3,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiangxi South Cement Company Limited	RMB3,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Guangxi South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital *(Note i)*	Attributable equity interest to the Company: Direct 2012 %	Direct 2011 %	Indirect 2012 %	Indirect 2011 %	Principal activities
North Cement Company Limited ("North Cement") *(Note iv)*	RMB3,600,000,000	**77.78**	55.00	**—**	—	Production and sale of cement
South West Cement Company Limited ("South West Cement") *(Note v)*	RMB7,870,000,000	**88.95**	82.60	**—**	—	Production and sale of cement
China Composites Group Corporation Limited ("China Composites")	RMB350,000,000	**100.00**	100.00	**—**	—	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited	RMB261,307,535	**—**	—	**62.96**	62.96	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**—**	—	**75.00**	75.00	Production and sale of PVC tiles
China Triumph International Engineering Company Limited ("China Triumph")	RMB220,000,000	**91.00**	91.00	**—**	—	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited	RMB5,000,000	**—**	—	**91.00**	66.43	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited	RMB100,000,000	**—**	—	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**—**	—	**91.00**	91.00	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,00	**100.00**	100.00	**—**	—	Sale of lightweight building materials

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Notes:

(i) The paid-in capital of BNBM represents the issued ordinary listed share capital and paid-in capital of the rest of the companies represents registered capital.

(ii) BNBM is a joint stock company listed on the Shenzhen Stock Exchange.

(iii) The entity is considered to be controlled by the Company because it is a subsidiary of another Company's subsidiary.

(iv) During the year, the Company and non-controlling interests injected additional share capital of RMB2,250 million and RMB350 million into North Cement as registered capital respectively.

(v) At 19 October 2012, the Company injected additional share capital of RMB2,870 million into South West Cement as registered capital.

(vi) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(vii) None of the subsidiaries had issued any debt securities at the end of the both years.

20 INTERESTS IN ASSOCIATES

	2012	2011
	RMB'000	*RMB'000*
Cost of investments in associates		
— listed in the PRC	**666,838**	666,838
— unlisted	**3,835,379**	2,632,258
Share of post-acquisition profit, net of dividend received	**1,847,950**	1,488,742
	6,350,167	4,787,838
Fair value of listed investments	**3,577,031**	3,599,604

As at 31 December 2012, the cost of investments in associates included goodwill of associates of approximately RMB1,027.63 million (2011: approximately RMB1,027.63 million).

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

As at 31 December 2012 and 2011, the Group had interests in the following principal associates established in the PRC:

Name of associate	Nominal value of registered capital	Attributable direct equity interest to the Group 2012 %	2011 %	Principal activities
China Fiberglass (Note i)	RMB581,753,000	**32.79**	32.79	Production of glass fiber
Shanghai Yaohua Pilkington Glass Company Limited ("Shanghai Yaopi") *(Note ii)*	RMB731,250,100	**16.26**	16.26	Production of float glass
Nangang Wanninqing Cement Company Limited	RMB1,000,000,000	**50.00**	50.00	Production of cement
Hubei Daye Jianfeng Cement Company Limited	RMB250,000,000	**24.00**	24.00	Production and sale of cement
Shangdong Donghua Cement Company Limited	RMB350,000,000	**50.00**	50.00	Production and sale of cement
Tongling Shangfeng Cement Company Limited	RMB258,980,000	**35.50**	35.50	Production and sale of cement

Notes:

(i) China Fiberglass is a joint stock company listed on the Shanghai Stock Exchange.

(ii) Shanghai Yaopi is a joint stock company listed on the Shanghai Stock Exchange. Although the Group holds less than 20% of the voting power in Shanghai Yaopi, the Group is able to exercise significant influence to govern the financial and operating policies by virtue of having two directors out of the eight-member board of Shanghai Yaopi.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or forms a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, results in particulars of excessive length.

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

Summarised financial information prepared in accordance with IFRSs in respect of the Group's associates is set out below.

	2012	2011
	RMB'000	*RMB'000*
Revenue	**17,007,881**	22,946,742
Profit for the year	**1,156,853**	2,117,941
Group's share of associates' profit for the year	**458,642**	686,149
Total assets	**40,382,968**	37,167,150
Total liabilities	**(21,203,247)**	(24,261,930)
Net assets attributable to the owners of the associates	**18,577,659**	12,695,188
Group's share of associates' net assets	**8,049,840**	4,165,531
Group's share of other comprehensive income/(expense)	**834**	(29,451)

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	RMB'000	*RMB'000*
Available-for-sale financial assets		
— Unlisted equity shares, at cost *(Note)*	**344,238**	265,945
— Listed equity shares listed outside Hong Kong	**231,099**	237,117
	575,337	503,062

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

22 HELD-FOR-TRADING INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Held-for-trading investments at market value:		
— Quoted investment funds listed outside Hong Kong	**663**	8,250
— Quoted listed equity shares listed outside Hong Kong	**247,000**	291,152
	247,663	299,402

23 DEPOSITS

	2012	2011
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**4,493,080**	3,570,249
Deposits paid to acquire property, plant and equipment	**3,255,736**	2,831,245
Deposits paid to acquire intangible assets	**322,164**	200,657
Deposits paid in respect of prepaid lease payments	**338,689**	312,286
	8,409,669	6,914,437

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

24 INVENTORIES

	2012	2011
	RMB'000	*RMB'000*
Raw materials	**7,537,816**	5,727,917
Work-in-progress	**1,614,260**	1,180,749
Finished goods	**2,869,939**	2,648,438
Consumables	**200,206**	120,116
	12,222,221	9,677,220

25 TRADE AND OTHER RECEIVABLES

	2012 *RMB'000*	2011 *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 *(Note 27)*	**379,937**	797,032
Loans receivable *(Note (g))*	**—**	49,893
Prepaid lease payments *(Note 15)*	**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 *RMB'000*	2011 *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.

25 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (continued)

(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	2011
	RMB'000	*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

25 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (continued)

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

	2012	2011
	RMB'000	*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 bills receivable have pledged to secure bank loans granted to the Group.

26 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2012	2011
	RMB'000	*RMB'000*
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**2,234,179**	1,023,952
Associates	**42,139**	316,961
Immediate holding company	**30**	184
Non-controlling interests of subsidiaries	**440,815**	142,739
	2,717,163	1,483,836
Non-trading in nature:		
Fellow subsidiaries	**537,822**	520,436
Associates	**2,448,019**	741,350
Immediate holding company	**46**	1,134
Non-controlling interests of subsidiaries	**121,356**	242,111
	3,107,243	1,505,031
	5,824,406	2,988,867
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**226,485**	142,781
Associates	**230,246**	21,490
Non-controlling interests of subsidiaries	**95,078**	241,488
	551,809	405,759
Non-trading in nature:		
Fellow subsidiaries	**62,478**	119,361
Associates	**20,029**	5,724
Immediate holding company	**3,218**	100,000
Non-controlling interests of subsidiaries	**1,386,433**	655,820
	1,472,158	880,905
	2,023,967	1,286,664

26 AMOUNTS DUE FROM/(TO) RELATED PARTIES *(CONTINUED)*

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

As at 31 December 2012, amounts due from related parties of approximately RMB106.71 million (2011: approximately RMB3.50 million) carry fixed interest rate of 6.00% (2011: 5.81%) per annum. At 31 December 2012, no amount due from related party carry the variable interest rate loan. (2011: approximately RMB435.38 million carry the variable interest stipulated by the bank for the corresponding period at rate of 6.46%). The remaining balances of amounts due from related parties are interest- free.

As at 31 December 2012, amounts due to related parties of approximately RMB 125.00 million (2011: approximately RMB15.00 million) carry the fixed interest rate of 6.74% (2011: 6.10%) per annum and approximately RMB 460.11 million (2011: approximately 20.15 million) carry the variable interest stipulated by the bank for the corresponding period at rate of 6.86% per annum (2011: 6.56%). The remaining balances of amounts due to related parties are interest-free.

27 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2012 ***RMB'000***	2011 *RMB'000*
Contracts in progress at reporting date analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**5,572,200**	4,967,989
Less: progress billings	**(5,341,671)**	(4,205,902)
	230,529	762,087
Amounts due from contract customers included in trade and other receivables *(Note 25)*	**379,937**	797,032
Amounts due to contract customers included in trade and other payables *(Note 29)*	**(149,408)**	(34,945)
	230,529	762,087

As at 31 December 2012, advances received from customers for contract work amounted to approximately RMB149.41 million (2011: approximately RMB34.95 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 25, amounted to approximately RMB27.68 million (2011: approximately RMB41.50 million).

28 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents /pledged bank deposits denominated in non-functional currencies of the relevant Group entities are as follows:

	2012 RMB'000	2011 RMB'000
USD	**48,273**	34,401
EUR	**45,140**	19,984
PGK	**108,088**	77,114
SAR	**188**	1,510
HKD	**3,173**	3,229
VND	**1,669**	1,640
KZT	**4,490**	5,465
AUD	**503**	3,155
Others	**738**	323
	212,262	146,821

As at 31 December 2012, the Group pledged approximately RMB3,383.27 million (2011: approximately RMB3,264.66 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.36% to 2.75% (2011: range from 0.36% to 3.6%) per annum.

29 TRADE AND OTHER PAYABLES

Ageing analysis of trade and other payables is as follows:

	2012 RMB'000	2011 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 *(Note 44)*	**—**	4,231
Amounts due to customers for contract work *(Note 27)*	**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.

30 DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	RMB'000	*RMB'000*
Financial liabilities carried at fair value through profit or loss		
Held-for-trading derivative not designated in hedge accounting relationship *(Note)*	**—**	464
	—	464

Note: Financial liabilities carried at fair value through profit or loss included currency forward contract for which no hedge accounting is applied.

At 31 December 2011, the notional principal amount of the outstanding currency forward contract was approximately RMB79.77 million.

31 BORROWINGS

	2012	2011
	RMB'000	*RMB'000*
Bank borrowings		
— Secured	**8,924,516**	8,776,637
— Unsecured	**99,244,221**	65,607,489
	108,168,737	74,384,126
Bonds *(Note)*	**34,100,000**	11,052,000
Other borrowings from non-financial institutions	**347,780**	430,100
	142,616,517	85,866,226
Analysed for reporting purposes:		
— Non-current	**51,864,572**	32,748,245
— Current	**90,751,945**	53,117,981
	142,616,517	85,866,226

31 BORROWINGS *(CONTINUED)*

Note:

On 9 April 2007, the Company issued domestic corporate bonds with an aggregate principal amount of RMB1,000 million with the maturity of 10 years and a coupon rate of 4.32% per annum.

During 2011, the Company issued medium-term bonds with an aggregate principal amount of RMB3,000 million and RMB5,000 million with the maturity of 3 years and a coupon rate of 6.06% per annum on 10 October 2011 and a coupon rate of 5.06% per annum on 5 December 2011 respectively. From the issue date, the interests will be paid once every year and the principal will be fully repaid on maturity date.

On 17 February 2012, China United, a subsidiary owned by the Company, issued commercial paper with an aggregate principal amount of RMB1,000 million with the maturity of 1 year and a coupon rate of 5.14% per annum.

On 15 March 2012, South Cement, a subsidiary owned by the Company, issued short-term debentures with an aggregate principal amount of RMB1,500 million with the maturity of 1 year and a coupon rate of 4.77% per annum.

On 16 March 2012, the Company issued medium-term debentures with an aggregate principal amount of RMB2,000 million with the maturity of 3 years and a coupon rate of 4.72% per annum.

On 30 March 2012, China United, a subsidiary owned by the Company, issued commercial paper with an aggregate principal amount of RMB1,000 million with the maturity of 1 year and a coupon rate of 4.84% per annum.

On 3 May 2012, BNBM, a subsidiary owned by the Company, issued short-term debentures with an aggregate principal amount of RMB600 million with the maturity of 1 year and a coupon rate of 5.01% per annum.

On 3 July 2012, China Composites, a subsidiary owned by the Company, issued short-term debentures with an aggregate principal amount of RMB500 million with the maturity of 1 year and a coupon rate of 4.27% per annum.

On 30 July 2012, South Cement, a subsidiary owned by the Company, issued private bills with an aggregate principal amount of RMB2,000 million with the maturity of 3 years and a coupon rate of 5.30% per annum.

On 15 August 2012, the Company issued medium-term debentures with an aggregate principal amount of RMB4,000 million with the maturity of 5 years and a coupon rate of 4.59% per annum.

On 17 October 2012, the Company issued super & short-term commercial paper with an aggregate principal amount of RMB3,000 million with the maturity of 270 days and a coupon rate of 4.10% per annum.

On 22 October 2012, China United, a subsidiary owned by the Company, issued commercial paper with an aggregate principal amount of RMB2,000 million with the maturity of 1 year and a coupon rate of 4.67% per annum.

31 BORROWINGS *(CONTINUED)*

Note: (continued)

On 12 November 2012, South Cement, a subsidiary owned by the Company, issued short-term debentures with an aggregate principal amount of RMB1,500 million with the maturity of 1 year and a coupon rate of 4.81% per annum.

On 15 November 2012, the Company issued super & short-term commercial paper with an aggregate principal amount of RMB3,000 million with the maturity of 270 days and a coupon rate of 4.30% per annum.

On 29 November 2012, the Company issued super & short-term commercial paper with an aggregate principal amount of RMB3,000 million with the maturity of 180 days and a coupon rate of 4.30% per annum.

The exposure of the fixed rate and variable rate bank borrowings and the contractual maturity dates are as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**44,464,467**	15,179,745
Between one and two years	**5,594,119**	2,078,523
Between two and three years	**5,444,647**	2,966,614
Between three and four years	**897,020**	3,188,973
Between four and five years	**523,865**	1,378,584
More than five years	**287,540**	1,084,734
	57,211,658	25,877,173
Variable rate bank borrowings repayable:		
Within one year	**29,187,478**	35,408,136
Between one and two years	**5,770,865**	6,996,654
Between two and three years	**10,904,670**	2,513,167
Between three and four years	**1,590,761**	1,680,269
Between four and five years	**2,155,326**	1,433,927
More than five years	**1,347,979**	474,800
	50,957,079	48,506,953

31 BORROWINGS (CONTINUED)

	2012 RMB'000	2011 RMB'000
Effective interest rate per annum		
Fixed rate borrowings	**2.96% to 7.87%**	2% to 12%
Variable rate borrowings	**2% to 8%**	3.51% to 8.10%

The carrying amounts of borrowings approximate to their fair values. Other borrowings are unsecured, interest-bearing at 6% per annum (2011: 6.56%) and repayable within 1 year.

As at 31 December 2012, bank borrowings of approximately RMB965.23 million (2011: approximately RMB268.80 million) were guaranteed by independent third parties.

The borrowings denominated in AUD, EUR and USD of approximately RMB9.24 million, RMB11.85 million and RMB235.71 million respectively (2011: approximately RMB3.20 million, RMB15.25 million and RMB139.34 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB8,924.52 million (2011: approximately RMB8,776.64 million) are secured by the following assets of the Group:

	2012 RMB'000	2011 RMB'000
Property, plant and equipment *(Note 14)*	**6,415,856**	5,110,539
Prepaid lease payments *(Note 15)*	**1,537,301**	573,095
Investment properties *(Note 16)*	**165,000**	216,298
Mining rights *(Note 18)*	**22,176**	14,989
Cash and cash equivalents *(Note 28)*	**3,383,274**	3,264,655
Trade receivables *(Note 25)*	**1,365,460**	66,965
Bills receivable *(Note 25)*	**2,285,190**	1,524,082
	15,174,257	10,770,623

32 DEFERRED INCOME TAX

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustments on available-for-sale investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Loss on partial disposal of subsidiaries and associates *RMB'000*	Write down of inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2011	(14,575)	(386,975)	(337,615)	(340,602)	19,227	129,260	309,657	153,415	3,853	134,492	(329,863)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(270,776)	(104,927)	(53,025)	—	4,548	210,675	3,319	—	205	(209,981)
Arising from disposal of subsidiaries *(Note 37(b))*	—	6,082	—	4,405	—	(71)	(3,813)	—	—	—	6,603
Credit/(charge) to the consolidated income statement *(Note 11(a))*	24,072	56,950	323	22,247	—	40,695	40,154	(4,302)	12,542	(182,643)	10,038
Credit/(charge) to the consolidated other comprehensive income *(Note 11(b))*	3,811	—	—	—	—	—	—	—	—	—	3,811
As at 31 December 2011 and 1 January 2012	13,308	(594,719)	(442,219)	(366,975)	19,227	174,432	556,673	152,432	16,395	(47,946)	(519,392)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(292,769)	(297,395)	—	—	20,157	223,725	7,504	—	4,902	(333,876)
Credit/(charge) to the consolidated income statement *(Note 11(a))*	(18,864)	182,704	(288,251)	—	(19,227)	47,399	60,075	397,073	483	268,948	630,340
Credit/(charge) to the consolidated other comprehensive income *(Note 11(b))*	2,005	—	—	—	—	—	—	—	—	—	2,005
As at 31 December 2012	(3,551)	(704,784)	(1,027,865)	(366,975)	—	241,988	840,473	557,009	16,878	225,904	(220,923)

32 DEFERRED INCOME TAX (CONTINUED)

	2012	2011
	RMB'000	*RMB'000*
For presentation purpose:		
Deferred income tax assets	**1,764,154**	906,210
Deferred income tax liabilities	**(1,985,077)**	(1,425,602)
	(220,923)	(519,392)

The Group has unused tax losses were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2012	2011
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2012	**—**	19,611
2013	**71,514**	29,483
2014	**214,585**	56,661
2015	**145,739**	182,249
2016	**777,615**	494,129
2017	**1,093,538**	—
	2,302,991	782,133

33 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2012, certain fixtures and equipment are under finance leases. The average lease term is 2 to 5 years (2011: 3 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 4.32% to 7.25% (2011: 5.18% to 6.80%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**1,784,692**	1,005,281	**1,749,899**	873,537
In more than one year but not more than two years	**1,730,281**	972,605	**1,631,884**	871,565
In more than two years but not more than five years	**2,153,831**	1,309,138	**1,883,076**	1,225,208
	5,668,804	3,287,024	**5,264,859**	2,970,310
Less: future finance charge	**(403,945)**	(316,714)	**N/A**	N/A
Present value of lease obligations	**5,264,859**	2,970,310	**5,264,859**	2,970,310
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,749,899)**	(873,537)
			3,514,960	2,096,773

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

34 FINANCIAL GUARANTEE CONTRACTS

	2012	2011
	RMB'000	*RMB'000*
As at 1 January	**64,158**	13,298
Financial guarantee recognised	**—**	54,290
Less: Amount released to the consolidated income statement *(Note 7)*	**(4,008)**	(3,430)
As at 31 December	**60,150**	64,158
For presentation purpose:		
Non-current liabilities	**60,150**	64,000
Current liabilities	**—**	158
	60,150	64,158

Subsidiaries had guaranteed bank borrowings, which arising on the acquisition of subsidiaries of approximately RMB355.00 million (2011: approximately RMB293.00 million) for independent third parties. The fair value of the guarantees granted amounting to approximately RMB60 million (2011: approximately RMB64.16 million) is recognised as a liability.

35 SHARE CAPITAL

	Domestic Shares *(Note (a))*		**H Shares** *(Note (b))*		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Total capital**
		RMB'000		*RMB'000*	*RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2011	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
Bonus shares issue *(Note (c))*	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
As at 31 December 2011, 1 January 2012 and 31 December 2012	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

35 SHARE CAPITAL *(CONTINUED)*

Notes:

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

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

(c) The 2010 annual general meeting held on 3 June 2011 approved the bonus issue of 10 shares for every 10 shares held by shareholders as at 3 June 2011. As a result, the issued share capital of the Company increased from RMB2,699,513,131 to RMB5,399,026,262, through capitalisation of share premium of RMB2,699,513,131.

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

36 RESERVES

(a) Statutory surplus reserve fund

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company. Upon approved from the authorities, the statutory surplus reserve fund can be used to offset accumulated losses or to increase share capital, when it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25 percent of the share capital.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries

In the year of 2012, the Group acquired 224 subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production, storage and sale of cement and concrete.

These acquisitions have been accounted for using the purchase method.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Summary of net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 Fair value *RMB'000*	2011 Fair value *RMB'000*
Net assets acquired:		
Property, plant and equipment *(Note 14)*	**30,170,407**	11,924,243
Investment properties *(Note 16)*	**—**	4,148
Intangible assets *(Note 18)*	**909,763**	532,034
Interests in associates	**92**	—
Prepaid lease payments *(Note 15)*	**3,760,889**	1,220,942
Available-for-sale financial assets	**75,923**	40,000
Deferred income tax assets *(Note 32)*	**251,279**	218,747
Inventories	**2,643,957**	899,743
Trade and other receivables	**9,707,584**	5,001,428
Amounts due from the related parties	**222,883**	65,689
Held-for-trading investments	**399**	350
Pledged bank deposits	**329,334**	22,419
Cash and cash equivalents	**1,653,349**	1,374,026
Trade and other payables	**(27,904,870)**	(12,138,353)
Current income tax liabilities	**(154,470)**	(15,120)
Dividend payable to non-controlling interests	**(394,005)**	—
Amounts due to the related parties	**(916,492)**	(132,878)
Borrowings	**(6,310,324)**	(4,132,104)
Obligations under finance leases	**(637,651)**	—
Deferred income tax liabilities *(Note 32)*	**(585,155)**	(428,728)
Net assets	**12,822,892**	4,456,586
Non-controlling interests	**(585,816)**	(252,711)
Interest transferred from associated companies	**(123,693)**	(265,695)
Discount on acquisition of interests in subsidiaries *(Note 7)*	**(42,965)**	(49,850)
Goodwill *(Note 17)*	**16,101,407**	6,072,390
Total consideration	**28,171,825**	9,960,720

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

	2012	2011
	Fair value	Fair value
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**15,634,360**	6,445,142
Other payables	**12,537,465**	3,515,578
	28,171,825	9,960,720
Net cash outflow arising on acquisition:		
Cash consideration paid	**(15,634,360)**	(6,445,142)
Less: Cash and cash equivalents acquired	**1,653,349**	1,374,026
	(13,981,011)	(5,071,116)

The goodwill mainly arising on the acquisition of these companies is attributable to the benefit of expected revenue growth and future market development, the PRC and the synergies in consolidating the Group's cement and concrete operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group recognised a discount on acquisition of approximately RMB42.97 million in the business combination. The gain is included in investment and other income. The discount on acquisition of interests in subsidiaries is arising from the excess of share of the fair values of identifiable assets acquired and liabilities assumed over the consideration paid for the equity interest. The discount on acquisition was also the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the year are approximately RMB17,105.64 million and RMB1,995.70 million respectively attributable to the additional business mainly generated by these newly acquired cement and concrete companies.

Had these business combinations been effected at 1 January 2012, the revenue of the Group would be approximately RMB89,149.64 million, and profit for the year of the Group would be approximately RMB8,403.59 million. The directors of the Company consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows:

(i) Changsha Hengchang Concrete Company Limited (「長沙恒昌混凝土有限公司」)

On 30 September 2012, the Group acquired 100% of the equity interests of Changsha Hengchang Concrete Company Limited (「長沙恒昌混凝土有限公司」) ("Changsha Hengchang") for the consideration of RMB22.02 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	53,966
Prepaid lease payments	37
Deferred income tax assets	431
Inventories	1,122
Trade and other receivables	15,617
Cash and cash equivalents	779
Trade and other payables	(43,170)
Borrowings	(8,000)
Obligations under finance leases	(2,043)
Net assets	18,739
Goodwill	3,285
Total consideration	22,024

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(i) Changsha Hengchang Concrete Company Limited (「長沙恒昌混凝土有限公司」) *(continued)*

	2012 *RMB'000*
Total consideration satisfied by:	
Cash	9,340
Other payables	12,684
	22,024
Net cash outflow arising on acquisition:	
Cash consideration paid	(9,340)
Less: Cash and cash equivalents acquired	779
	(8,561)

Included in the revenue and profit for the year are approximately RMB15.02 million and RMB0.95 million respectively attributable to the additional business generated by Changsha Hengchang.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(ii) Beijing Xinhang Building Material Group Company Limited (「北京新航建材集團有限公司」)

On 1 September 2012, the Group acquired 90% of the equity interests of Beijing Xinhang Building Material Group Company Limited (「北京新航建材集團有限公司」) ("Beijing Xinhang") for the consideration of RMB467.06 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	641,576
Prepaid lease payments	4,485
Available-for-sale financial assets	11,414
Deferred income tax assets	8,672
Inventories	16,844
Trade and other receivables	782,491
Cash and cash equivalents	18,554
Trade and other payables	(875,894)
Current income tax liabilities	(14,316)
Borrowings	(137,439)
Obligations under finance leases	(8,921)
Net assets	447,466
Non-controlling interests	(44,747)
Goodwill	64,341
Total consideration	467,060

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(ii) Beijing Xinhang Building Material Group Company Limited (「北京新航建材集團有限公司」) *(continued)*

	2012
	RMB'000
Total consideration satisfied by:	
Cash	297,001
Other payables	170,059
	467,060
Net cash outflow arising on acquisition:	
Cash consideration paid	(297,001)
Less: Cash and cash equivalents acquired	18,554
	(278,447)

Included in the revenue and profit for the year are approximately RMB286.67 million and RMB60.61 million respectively attributable to the additional business generated by Beijing Xinhang.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(iii) Shanghai Shenjin Cement Company Limited (「上海申金水泥有限公司」)

On 31 October 2012, the Group acquired 100% of the equity interests of Shanghai Shenjin Cement Company Limited (「上海申金水泥有限公司」) ("Shanghai Shenjin") the consideration of RMB143.63 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	85,252
Prepaid lease payments	10,700
Inventories	7,841
Trade and other receivables	119,694
Pledged bank deposits	4,000
Cash and cash equivalents	2,534
Trade and other payables	(58,299)
Current income tax liabilities	(293)
Borrowings	(42,000)
Deferred income tax liabilities	(4,031)
Net assets	125,398
Goodwill	18,231
Total consideration	143,629

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(iii) Shanghai Shenjin Cement Company Limited (「上海申金水泥有限公司」) *(continued)*

	2012 *RMB'000*
Total consideration satisfied by:	
Cash	30,000
Other payables	113,629
	143,629
Net cash outflow arising on acquisition:	
Cash consideration paid	(30,000)
Less: Cash and cash equivalents acquired	2,534
	(27,466)

Included in the revenue and profit for the year are approximately RMB45.23 million and RMB0.62 million respectively attributable to the additional business generated by Shanghai Shenjin.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(iv) Changzhou Hengnai Cement Company Limited (「常州恒耐水泥有限公司」)

On 31 August 2012, the Group acquired 100% of the equity interests of Changzhou Hengnai Cement Company Limited (「常州恒耐水泥有限公司」) ("Changzhou Hengnai") for the consideration of RMB60.06 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	11,980
Prepaid lease payments	10,456
Deferred income tax assets	408
Inventories	2,177
Trade and other receivables	27,918
Cash and cash equivalents	1,021
Trade and other payables	(4,585)
Current income tax liabilities	(1,132)
Deferred income tax liabilities	(666)
Net assets	47,577
Goodwill	12,482
Total consideration	60,059

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(iv) Changzhou Hengnai Cement Company Limited (「常州恒耐水泥有限公司」) *(continued)*

	2012
	RMB'000
Total consideration satisfied by:	
Cash	5,000
Other payables	55,059
	60,059
Net cash outflow arising on acquisition:	
Cash consideration paid	(5,000)
Less: Cash and cash equivalents acquired	1,021
	(3,979)

Included in the revenue and profit for the year are approximately RMB20.83 million and RMB1.00 million respectively attributable to the additional business generated by Changzhou Hengnai.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(v) Sichuan Chengshi Tianying Cement Company Limited (「四川成實天鷹水泥有限公司」)

On 1 January 2012, the Group acquired 100% of the equity interests of Sichuan Chengshi Tianying Cement Company Limited (「四川成實天鷹水泥有限公司」) ("Sichuan Chengshi") for the consideration of RMB230.17 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	418,344
Intangible assets	11,721
Interests in associate	92
Prepaid lease payments	47,514
Inventories	35,795
Trade and other receivables	50,444
Cash and cash equivalents	81,923
Trade and other payables	(346,949)
Borrowings	(89,320)
Deferred income tax liabilities	(7,556)
Net assets	202,008
Goodwill	28,166
Total consideration	230,174

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(v) Sichuan Chengshi Tianying Cement Company Limited (「四川成實天鷹水泥有限公司」) *(continued)*

	2012
	RMB'000
Total consideration satisfied by:	
Cash	109,560
Other Payables	120,614
	230,174
Net cash outflow arising on acquisition:	
Cash consideration paid	(109,560)
Less: Cash and cash equivalents acquired	81,923
	(27,637)

Included in the revenue and profit for the year are approximately RMB194.19 million and RMB5.46 million respectively attributable to the additional business generated by Sichuan Chengshi.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(vi) Sichuan Chuanmei Cement Company Limited (「四川川煤水泥股份有限公司」)

On 31 July 2012, the Group acquired 100% of the equity interests of Sichuan Chuanmei Cement Company Limited (「四川川煤水泥股份有限公司」) ("Sichuan Chuanmei") by acquiring the 99% equity interests held by the Parent for a consideration of RMB338.82 million and the 1% equity interest held by BNBMG for a consideration of RMB3.42 million. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012
	Fair value
	RMB'000
Net assets acquired:	
Property, plant and equipment	2,239,985
Intangible assets	74,441
Prepaid lease payments	314,614
Deferred income tax assets	8,837
Inventories	132,545
Trade and other receivables	717,845
Cash and cash equivalents	88,068
Trade and other payables	(3,005,727)
Borrowings	(268,000)
Deferred income tax liabilities	(34,085)
Net assets	268,523
Goodwill	73,713
Total consideration	342,236

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(vi) Sichuan Chuanmei Cement Company Limited (「四川川煤水泥股份有限公司」) *(continued)*

	2012
	RMB'000
Total consideration satisfied by:	
Cash	282,236
Other payables	60,000
	342,236
Net cash outflow arising on acquisition:	
Cash consideration paid	(282,236)
Less: Cash and cash equivalents acquired	88,068
	(194,168)

Included in the revenue and profit for the year are approximately RMB521.96 million and RMB105.59 million respectively attributable to the additional business generated by Sichuan Chuanmei.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(vii) Taojiang Taiji Concrete Company Limited (「桃江縣泰基混凝土有限公司」)

On 30 September 2012, the Group acquired 100% of the equity interests of Taojiang Taiji Concrete Company Limited (「桃江縣泰基混凝土有限公司」) ("Taojiang Taiji") for the consideration of RMB12.23 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	21,405
Deferred income tax assets	698
Inventories	947
Trade and other receivables	8,107
Cash and cash equivalents	2,082
Trade and other payables	(24,647)
Current income tax liabilities	(300)
Net assets	8,292
Goodwill	3,941
Total consideration	12,233

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(vii) Taojiang Taiji Concrete Company Limited (「桃江縣泰基混凝土有限公司」) *(continued)*

	2012
	RMB'000
Total consideration satisfied by:	
Cash	10,233
Other payables	2,000
	12,233
Net cash outflow arising on acquisition:	
Cash consideration paid	(10,233)
Less: Cash and cash equivalents acquired	2,082
	(8,151)

Included in the revenue and profit for the year are approximately RMB6.50 million and RMB1.42 million respectively attributable to the additional business generated by Taojiang Taiji.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(viii) Liuyang Wanke Concrete Company Limited (「瀏陽萬科混凝土有限公司」)

On 30 September 2012, the Group acquired 100% of the equity interests of Liuyang Wanke Concrete Company Limited (「瀏陽萬科混凝土有限公司」) ("Liuyang Wanke") for the consideration of RMB12.93 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of concrete.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2012 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	23,529
Inventories	1,339
Trade and other receivables	10,018
Cash and cash equivalents	1,318
Trade and other payables	(25,219)
Current income tax liabilities	(156)
Deferred income tax liabilities	(73)
Net assets	10,756
Goodwill	2,179
Total consideration	12,935

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(continued)*

Details of the Group's significant acquisitions during the year are as follows: *(continued)*

(viii) Liuyang Wanke Concrete Company Limited (「瀏陽萬科混凝土有限公司」) *(continued)*

	2012 *RMB'000*
Total consideration satisfied by:	
Cash	5,983
Other payables	6,952
	12,935
Net cash outflow arising on acquisition:	
Cash consideration paid	(5,983)
Less: Cash and cash equivalents acquired	1,318
	(4,665)

Included in the revenue and profit for the year are approximately RMB8.44 million and RMB1.59 million respectively attributable to the additional business generated by Liuyang Wanke.

(b) Disposal of subsidiaries

During the year, the Group has not disposed any equity interest in subsidiary of the Group.

(i) Profit for the year generated from the disposal of the subsidiaries comprised:

	2012 ***RMB'000***	2011 *RMB'000*
Gain on disposal of subsidiaries	—	100,825

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(continued)*

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows:

	2012	2011
	RMB'000	*RMB'000*
Assets and liabilities disposed of:		
Property, plant and equipment *(Note 14)*	—	313,654
Goodwill *(Note 17)*	—	156,332
Intangible assets *(Note 18)*	—	1,297
Interests in associates	—	4,425
Prepaid lease payments *(Note 15)*	—	74,160
Deferred income tax assets *(Note 32)*	—	3,884
Inventories	—	1,074,881
Trade and other receivables	—	580,217
Cash and cash equivalents	—	37,462
Trade and other payables	—	(1,566,466)
Borrowings	—	(112,580)
Deferred tax liabilities *(Note 32)*	—	(10,487)
Non-controlling interests	—	(190,227)
Net assets disposal of	—	366,552
Consideration received:		
Cash received	—	195,369
Fair value of net identifiable assets acquired	—	174,000
Total consideration	—	369,369
Investment in associates retained	—	135,109
Capital reserves	—	(37,101)
Less: Net assets disposed	—	(366,552)
Gain on disposal of subsidiaries *(Note 7)*	—	100,825
Inflow of cash arising from disposal of the subsidiaries		
Cash consideration	—	195,369
Cash and cash equivalents in disposal of subsidiaries	—	(37,462)
Net cash inflow from disposal of subsidiaries	—	157,907

38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 December 2012, the Group acquired additional issued shares of 13 subsidiaries for a purchase consideration of approximately RMB749.21 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB484.96 million. The Group recognised a decrease in non-controlling interests of approximately RMB484.96 million and a decrease in equity attributable to owners of the Group of approximately RMB264.25 million.

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

On 1 January 2012, South Cement, a subsidiary of the Company, acquired an additional 20% of the issued share of Guilin South Cement Company Limited (「桂林南方水泥有限公司」) ("Guilin South") for a purchase consideration of approximately RMB67.20 million. The carrying amount of the non-controlling interests in Guilin South on the date of acquisition was approximately RMB27.57 million. The Group recognised a decrease in non-controlling interests of approximately RMB27.57 million and decrease in equity attributable to owners of the Group of approximately RMB39.63 million.

On 3 August 2012, South Cement, a subsidiary of the Company, acquired an additional 23% of the issued share of Cixi South Cement Company Limited (「慈溪南方水泥有限公司」) ("Cixi South") for a purchase consideration of approximately RMB16.50 million. The carrying amount of the non-controlling interests in Cixi South on the date of acquisition was approximately RMB2.65 million. The Group recognised a decrease in non-controlling interests of approximately RMB2.65 million and decrease in equity attributable to owners of the Group of approximately RMB13.85 million.

On 30 June 2012, China Triumph, a subsidiary of the Company, acquired an additional 27% of the issued share of Shenzhen Kisen International Engineering Co., Limited (「深圳凱盛國際工程有限公司」) ("Shenzhen Kisen") for a purchase consideration of approximately RMB38.51 million. The carrying amount of the non-controlling interests in Shenzhen Kisen on the date of acquisition was approximately RMB31.82 million. The Group recognised a decrease in non-controlling interests of approximately RMB31.82 million and decrease in equity attributable to owners of the Group of approximately RMB6.69 million.

On 1 January 2012, China United, a subsidiary of the Company, acquired an additional 10% of the issued share of China United Cement Anyang Huihuang Company Limited (「安陽中聯水泥有限公司」) ("Anyang Huihuang") for a purchase consideration of approximately RMB22.42 million. The carrying amount of the non-controlling interests in Anyang Huihuang on the date of acquisition was approximately RMB9.69 million. The Group recognised a decrease in non-controlling interests of approximately RMB9.69 million and decrease in equity attributable to owners of the Group of approximately RMB12.73 million.

38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

On 1 January 2012, North Cement, a subsidiary of the Company, acquired an additional 30% of the issued share of Heihe Hengji Cement Company Limited (「黑河市恒基水泥有限責任公司」) ("Heihe Hengji") for a purchase consideration of approximately RMB186.19 million. The carrying amount of the non-controlling interests in Heihe Hengji on the date of acquisition was approximately RMB64.93 million. The Group recognised a decrease in non-controlling interests of approximately RMB64.93 million and decrease in equity attributable to owners of the Group of approximately RMB121.26 million.

	2012	2011
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**484,959**	648,961
Consideration paid to non-controlling interests	**(749,209)**	(1,041,439)
Excess of consideration paid recognised within parent's equity	**(264,250)**	(392,478)

39 CONTINGENT LIABILITIES

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

	2012	2011
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities utilised by independent third parties	**355,000**	293,000

40 COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
— Acquisition of property, plant and equipment	**553,863**	1,356,219
— Acquisition of prepaid lease payments	**92,985**	23,330
— Acquisition of subsidiaries	**962,999**	84,379
— Acquisition of mining rights	**—**	295,200

41 OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**46,241**	45,873
In the second to fifth year inclusive	**97,054**	90,692
Over five years	**65,166**	83,346
	208,461	219,911

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2011: fourteen years) and rentals are fixed for an average term of fourteen years (2011: fourteen years).

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**43,400**	50,111
In the second to fifth year inclusive	**226,660**	161,020
Over five years	**112,871**	330,997
	382,931	542,128

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2011: one year to twenty years).

42 RELATED PARTY TRANSACTIONS

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

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions with related parties

The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries (collectively the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries

	2012	2011
	RMB'000	*RMB'000*
Provision of production supplies to		
— the Parent Group	**27,206**	32,915
— Associates	**193,294**	345,672
— Non-controlling interests of subsidiaries	**611,025**	255,080
	831,525	633,667
Provision of support services to		
— the Parent Group	**130,580**	187,256
— Associates	**34**	—
— Non-controlling interests of subsidiaries	**1,081**	—
	131,695	187,256
Rental income received from		
— the Parent Group	**588**	11,698
— Associates	**19,566**	18,825
	20,154	30,523
Rendering of engineering service to the Parent Group	**346,556**	94,840
Interest income received from		
— the Parent Group	**22,189**	2,219
— Associates	**7,382**	33,385
— Non-controlling interests of subsidiaries	**—**	5,894
	29,571	41,498

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties *(continued)*

	2012	2011
	RMB'000	*RMB'000*
Supply of raw materials (limestone and clay) by		
— the Parent Group	**56,431**	96,807
— Non-controlling interests of subsidiaries	**95,337**	—
	151,768	96,807
Supply of raw materials by		
— the Parent Group	**150,839**	17,799
— Associates	**49,397**	49,559
— Non-controlling interests of subsidiaries	**543**	90,556
	200,779	157,914
Provision of production supplies by		
— the Parent Group	**117,957**	306,615
— Associates	**168,563**	32,908
— Non-controlling interests of subsidiaries	**72,432**	76,727
	358,952	416,250
Provision of support services by		
— the Parent Group	**6,626**	20,104
— Non-controlling interests of subsidiaries	**105**	999
	6,731	21,103

42 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

	2012 RMB'000	2011 RMB'000
Supplying of equipment by		
— the Parent Group	**169,224**	219,244
— Associates	**1,014**	—
	170,238	219,244
Rental expense paid to		
— the Parent Group	**—**	1,000
— Non-controlling interests of subsidiaries	**100**	80
	100	1,080
Interest expense paid to non-controlling interests of subsidiaries	**3,253**	4,429
Rendering of engineering services by the Parent Group	**63,765**	1,863

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

During the year ended 31 December 2012, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2012 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2012	2011
	RMB'000	*RMB'000*
Short-term benefits	**6,489**	5,029
Share-based payments	**220**	759
Post-employment benefits	**182**	166
	6,891	5,954

43 EMPLOYEE BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 10.

44 SHARE APPRECIATION RIGHTS PLAN

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

Under the Plan, a share appreciation right ("SA Right") represents the right to receive a cash payment equal to the appreciation, if any, in the fair market value of a H share from the date of the grant of the right to the date of exercise.

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

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HKD3.50 each unit to the senior management of the Company as follows:

	Units of SA Rights granted
Directors and a supervisor of the Company	2,680,000
Other senior management	3,200,000
	5,880,000

As the SA Rights vest at different amounts until the grantees have completed a specified period of service, the Company recognised the service and a liability of approximately RMB0.84 million (2011: approximately RMB2.49 million), being the estimated compensation paid for service rendered by the grantee during the year.

According to Guo Zi Fa Fan Pei 2006 No.8, "Trial Method for Share Incentive Scheme of State-controlled Listing Company", the compensation should not exceed 40% of personal total salary and bonus.

All SA Rights were exercised and settled before their expiry during the year.

45 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012	2011
	RMB'000	*RMB'000*
Investment in subsidiaries	**27,808,463**	22,125,963
Other non-current assets	**1,948,780**	1,885,895
Amount due from subsidiaries	**16,448,814**	11,099,067
Other current assets	**680,547**	798,963
Non-current liabilities	**(19,885,625)**	(11,291,875)
Current liabilities	**(13,465,393)**	(12,560,815)
Net assets	**13,535,586**	12,057,198
Share capital *(Note 35)*	**5,399,026**	5,399,026
Reserves	**8,136,560**	6,658,172
Total equity	**13,535,586**	12,057,198

45 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

(b) Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36(a))*	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	7,523,994	501,310	178,592	148,792	8,352,688
Net profit and Total comprehensive income for the year	—	—	—	1,507,106	1,507,106
Issue of bonus shares *(Note 35)*	(2,699,513)	—	—	—	(2,699,513)
Dividends *(Note 12)*	—	—	—	(502,109)	(502,109)
Appropriation to statutory reserve	—	—	140,191	(140,191)	—
Balance at 31 December 2011 and 1 January 2012	4,824,481	501,310	318,783	1,013,598	6,658,172
Net profit and Total comprehensive income for the year	—	—	—	2,639,179	2,639,179
Dividends *(Note 12)*	—	—	—	(1,160,791)	(1,160,791)
Appropriation to statutory reserve	—	—	269,003	(269,003)	—
Balance at 31 December 2012	4,824,481	501,310	587,786	2,222,983	8,136,560

(c) Net profit attributable to shareholders

Net profit attributable to shareholders includes a profit of RMB2,639.18 million (2011: RMB1,507.11 million) which has been dealt with in the financial statements of the Company.

46. EVENTS AFTER THE BALANCE SHEET DATE

(a) As the proposed A shares 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 have 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 report, the proposed A share issue is still under progress.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	87,217,629	80,058,470	51,987,763	33,297,363	26,365,159
Cost of sales	(67,089,167)	(58,741,878)	(40,778,919)	(26,798,003)	(21,851,738)
Gross profit	20,128,462	21,316,592	11,208,844	6,499,360	4,513,421
Investment and other income	5,200,305	2,993,345	2,158,284	2,036,833	1,186,583
Selling and distribution costs	(3,880,879)	(2,212,707)	(1,810,719)	(1,267,429)	(884,012)
Administrative expenses	(5,361,628)	(4,384,247)	(2,863,083)	(1,871,691)	(1,348,674)
Other expenses	(113,888)	(225,565)	(208,532)	(148,072)	(88,172)
Finance costs - net	(6,507,145)	(3,859,060)	(2,578,960)	(1,516,443)	(1,368,044)
Share of profit of associates	458,642	686,149	198,183	9,394	155,327
Profit before income tax	9,923,869	14,314,507	6,104,017	3,741,952	2,166,429
Income tax expenses	(2,186,883)	(3,568,768)	(1,360,977)	(664,059)	(293,073)
Profit for the year	7,736,986	10,745,739	4,743,040	3,077,893	1,873,356
Profit attributable to:					
Owners of the Company	5,579,601	8,015,074	3,369,433	2,352,396	1,511,542
Non-controlling interests	2,157,385	2,730,665	1,373,607	725,497	361,814
	7,736,986	10,745,739	4,743,040	3,077,893	1,873,356
Final dividend proposed	836,849	1,160,791	502,109	173,685	111,655
Extracts from the consolidated statement of financial position					
Total assets	246,433,547	158,395,218	111,516,350	77,009,037	58,904,191
Total liabilities	(202,368,700)	(120,784,056)	(83,617,964)	(59,493,609)	(46,770,967)
Non-controlling interests	(13,568,749)	(11,279,394)	(8,735,906)	(4,620,661)	(3,302,874)
Equity attributable to owners of the Company	30,496,098	26,331,768	19,162,480	12,894,767	8,830,350