China National Materials Company Limited

A joint stock company incorporated in the People's Republic of China with limited liability
(Stock Code: 01893)

MATERIALS

BRING A PROSPEROUS LIFE

Annual Report 2012

CONTENTS

CORPORATE INFORMATION

As at 31 December 2012

DIRECTORS

Executive Directors

YU Shiliang[1] *(Chairman[2])*
LI Xinhua[2]

Non-executive Directors

LIU Zhijiang[2]
ZHANG Hai
TANG Baoqi

Independent Non-executive Directors

LEUNG Chong Shun
SHI Chungui
LU Zhengfei
WANG Shimin
ZHOU Zude

Supervisors

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

STRATEGY COMMITTEE[3]

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

AUDIT COMMITTEE[4]

LU Zhengfei *(Chairman)*
WANG Shimin
LIU Zhijiang

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE[5]

YU Shiliang *(Chairman)*
SHI Chungui
ZHOU Zude

1 Mr. TAN Zhongming passed away on 2 September 2012 due to illness. Mr. YU Shiliang was re-designated as an executive Director and was appointed as the Chairman of the Board on 24 September 2012. Please refer to the announcements of the Company dated 3 September 2012 and 24 September 2012 for details.

2 On 5 February 2013, Mr. LIU Zhijiang was re-designated as an executive Director and was appointed as the Chairman of the Board; Mr. LI Xinhua was appointed as the Vice-chairman of the Board; Mr. YU Shiliang was re-designated as a non-executive Director. Please refer to the announcement of the Company dated 5 February 2013 for details.

3 On 24 September 2012, Mr. YU Shiliang was appointed as the Chairman of the Strategy Committee. On 5 February 2013, Mr. LIU Zhijiang was appointed as the Chairman of the Strategy Committee in place of Mr. YU Shiliang.

4 On 5 February 2013, Mr. YU Shiliang was re-elected as a member of the Audit Committee in place of Mr. LIU Zhijiang.

5 On 27 March 2012, the new Nomination Committee was formed and comprised of three members, namely, Mr. Tan Zhongming, Mr. SHI Chungui, and Mr. ZHOU Zude and chaired by Mr. Tan Zhongming. On 24 September 2012, Mr. YU Shiliang was appointed as the Chairman of the Nomination Committee. On 5 February 2013, Mr. LIU Zhijiang was appointed as the Chairman of the Nomination Committee, and Mr. Yu Shiliang ceased to be a member of the Nomination Committee.

As at 31 December 2012

SECRETARY TO THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

YU Shiliang[6]
YU Leung Fai *(HKICPA, AICPA)*

REGISTERED OFFICE AND PLACE OF BUSINESS

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035, the PRC

PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISORS

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

AUDITORS

Hong Kong auditor
SHINEWING (HK) CPA Limited

PRC auditor
ShineWing Certified Public Accountant LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

01893

COMPANY WEBSITE

http://www.sinoma-ltd.cn

INVESTOR CONTACT

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

[6] Mr. YU Shiliang was appointed as an authorised representative on 24 September 2012. On 5 February 2013, Mr. LIU Zhijiang was appointed as the authorised representative of the Company in place of Mr. Yu Shiliang.

CORPORATE PROFILE

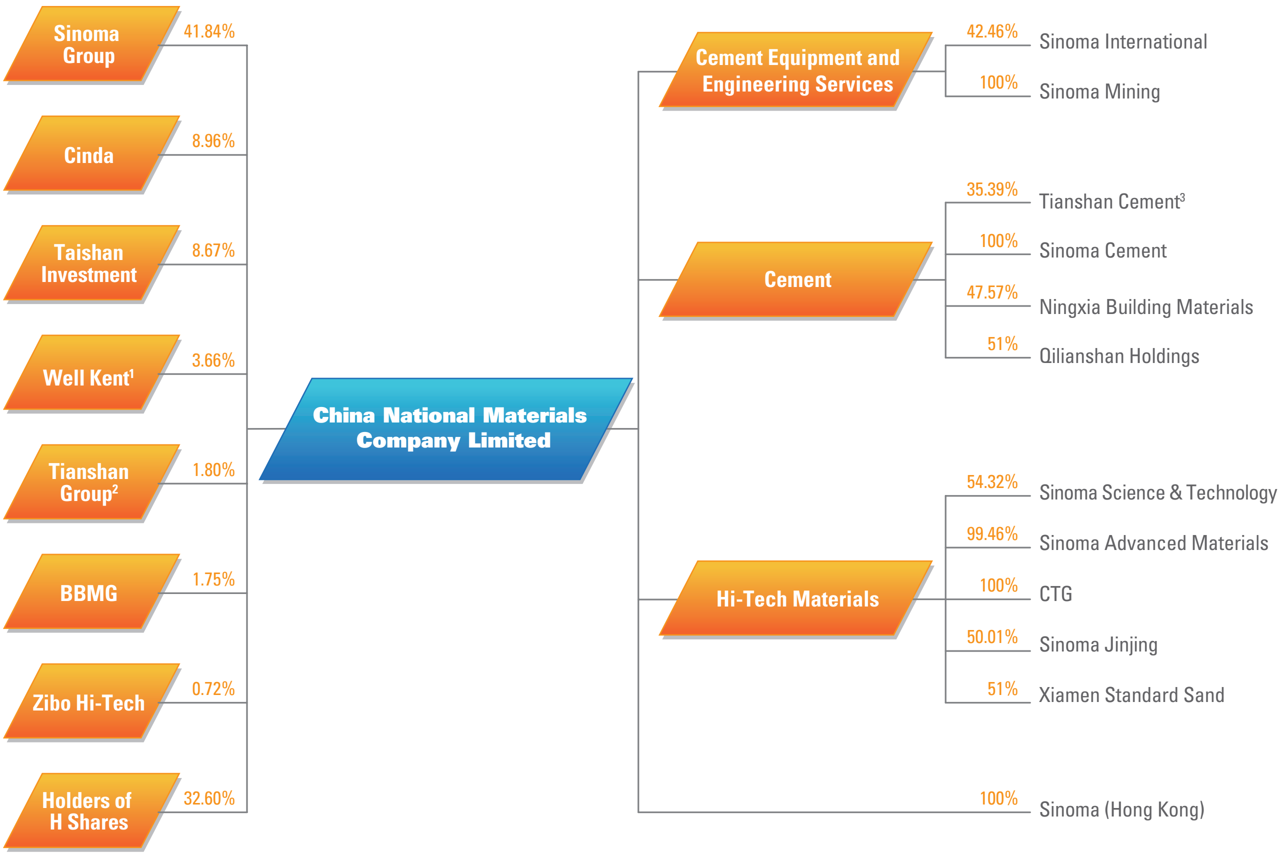
China National Materials Company Limited is a joint stock company approved by the State-owned Assets Supervision and Administration Commission of the State Council and established jointly by China National Materials Group Corporation Ltd. and other promoters. The Company was incorporated on 31 July 2007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

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

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

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

As at 31 December 2012



Notes:

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

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

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

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

	For the year ended 31 December				
	2012 RMB million	2011 RMB million *(Restated)*[2]	2010 RMB million *(Restated)*[1]	2009 RMB million	2008 RMB million
Turnover	**46,272.56**	50,718.59	44,497.16	30,367.97	25,244.82
Profit for the year	**1,566.32**	3,964.50	3,409.72	1,997.52	1,520.34
Profit for the year attributable to owners of the Company	**473.85**	1,462.57	1,099.98	719.50	564.55
Earnings per Share– Basic (RMB)	**0.13**	0.41	0.31	0.20	0.16

	As at 31 December				
	2012 RMB million	2011 RMB million *(Restated)*[2]	2010 RMB million *(Restated)*[1]	2009 RMB million	2008 RMB million
Total assets	**87,844.42**	79,746.88	67,204.60	49,760.24	44,645.08
Total liabilities	**60,769.41**	55,963.82	46,551.92	35,795.19	32,429.35
Equity attributable to owners of the Company	**11,259.77**	10,978.01	9,788.04	8,264.06	6,793.63
Equity per Share (RMB)	**3.15**	3.07	2.74	2.31	1.90

Notes:

1. The figures for 2010 have been restated due to the completion of acquisitions of Sinoma Equipment Maintenance (Shangrao) Co., Ltd., Sinoma Slip-form Leasing (Shangrao) Co., Ltd., Suzhou Concrete Cement Product Research Institute Company Limited and Shandong Research & Design Institute of Industrial Ceramics Co., Ltd. during 2011, which were under common control.

2. The figures for 2011 have been restated due to the completion of acquisitions of Nanjing Cement Industry Design & Research Institute Co., Ltd., Sinoma Asset Management (Suzhou) Company Limited, and Tangshan Sinoma Property Management Company Limited during the reporting period, which were under common control.

Cement Equipment And Engineering Services

	2012	2011	Change (%)
Amount of new order intakes (RMB million)	**30,832**	38,354	(19.61)
Amount of backlog (RMB million)	**55,187**	58,393	(5.49)

Cement

	2012	2011	Change (%)
Sales volume of cement ('000 tones)	**63,020**	49,085	28.39
Sales volume of clinker ('000 tones)	**8,800**	8,847	(0.53)

High-tech Materials

	2012	2011	Change (%)
Sales volume of glass fiber and products ('000 tones)	**442**	445	(0.67)
Sales volume of fan blades for wind power generators (set)	**1,267**	1,383	(8.39)
Sales volume of solar-energy fused silica crucibles (unit)	**32,265**	61,520	(47.55)
Sales volume of CNG cylinders (unit)	**195,443**	139,936	39.67

Dear Shareholders,

On behalf of the Board, I present to you the annual report and results of the Company for 2012, and to report to you on the development focus of the Company for 2013.

The world economy experienced a slow recovery course in 2012 where the speed of growth is low, has failed to turn around from the downward trend since 2011. In domestic market, a majority of industries were distressed by the dual pressures of "reduction in inventory" and "reduction in production capacity" due to the dampened export and insufficient domestic demand amid a slowdown of China's economy, where the increase in labour, financing and environmental costs were posing great operating difficulties to enterprises. Responding to the challenging international trade environment and new changes and requirements arising from the domestic economic restructuring, the Company strived to overcome the disadvantageous situation of the downsides of business performance through a wide range of initiatives including deepening internal reform and adjusting industrial structure and layout to refine business scale at the right timing and to the right extent and extending industrial chain based on strengthened cost management. During the reporting period, turnover of the Group was RMB46,272.56 million, representing a year-on-year decrease of 8.77%. Profit for the year was RMB1,566.32 million, representing a year-on-year decrease of 60.49%. Profit for the year attributable to owners of the Company was RMB473.85 million, representing a year-on-year decrease of 67.60%. Earnings per share of the Company amounted to RMB0.13.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Addressing the unfavourable situation of the plummeting cement construction market at home and abroad, the segment capitalized on its comparative advantages in brand, cost, delivery cycle and services etc. in the world to strengthen the exploration of the market. The segment has been ranking the first globally for five consecutive years in terms of international market share, the domestic and overseas new order intakes for the year amounted to RMB30.8 billion and the distribution of the new order intake in the overseas market was more diversified. Backlog of the segment at the end of the reporting period amounted to RMB55.2 billion.

Focusing on the strategy of diversifying into related industries, the segment took efforts in developing new businesses while securing and expanding the business of cement equipment and engineering services. A series of EPC projects in steel, glass and environmental protection fields were entered into during the reporting period. The segment continued to expand the business scale of cement equipment parts by leveraging on its research and technological development strengths, striving to extend to mining, steel, coal and power industries, and sound progress was achieved.

CEMENT

In the context of slowdown of national economy in 2012, cement prices witnessed a plunge due to the decrease in the growth rate of fixed asset investments and the overcapacity in cement industry. In face of the challenging external environment, the segment steadily expanded the cement business scale in light of its proactive implementation of industrial development strategy. Its cement production capacity reached 100 million tonnes, and the sales volume of cement and clinker posted a year-on-year growth of 23.97%. While securing and expanding its regional market share, the segment aggressively extended its industrial chain and continued to expand the production capacity of commercial concrete. The production capacity of commercial concrete reached 27.3 million cubic meters. Proactively addressing the declining product prices, the segment managed to increase production efficiency and to retrench production costs continuously by strengthening internal management and optimizing resource allocation. During the reporting period, standard consumption of coal for each tonne of clinker decreased by 3.16 kg on a year-on-year basis.

HIGH-TECH MATERIALS

In 2012, the market of high-tech materials segment still faced a very serious challenge, such as intense competition due to the overcapacity of wind power fan blades and solar-energy fused silica crucibles, being major products of the segment, and the weak international demand and the anti-subsidy and anti-dumping investigations on glass fabrics. Certain products recorded noticeable declines in production and sales volume, price and gross margin, while there was an continuing increase of inventories and trade receivables. To cope with the complicated domestic and international economic situation and market environment, the segment took initiatives to explore market with responsively refined product mix, keep on enhancing management level to reduce production costs, and increase technological investment to sharpen the core competitive edge of products. The wind power fan blade business further improved industrial layout through business consolidation, and speeded up the research and development of new products to proactively explore overseas markets. The CNG cylinder business extended its stronghold product from CNG cylinder to the field of industrial cylinder through technology upgrades and merger and acquisition, and achieved a rise in production and sales volume as well as market share. On glass fiber and products, the segment continued to refine product mix and increase production efficiency, and commenced the 80,000 t/y glass fiber direct-melt furnace line project during the reporting period; and production and sales volume was basically stabilized through proactive development of domestic market. On solar-energy fused silica crucible business, the segment made timely adjustments to its business plan, and further upgraded process technologies to strive to improve product quality.

PROSPECTS

The path to global economic recovery remains challenging in 2013. With an increasing probability of economic recession and vicious cycle of sovereign debt crisis, the Eurozone has become the biggest risk against the global recovery. By upholding the keynote of "making progress while ensuring stability", China's economy will implement positive fiscal policy and sound monetary policy with a focus on urbanization to shore up domestic demand in order to secure steady and a fairly fast economic growth. Based on the reinforcing of the three major businesses, the Company will continue to diversify into related industries and strategic emerging industries while improving its business and marketing models. The Company will adjust business scale and product mix in a timely manner and to a suitable extent, and press forward the intensive and green production model based on strengthened technological innovation and development. Capitalizing on its extended industrial chain to develop domestic and international markets, the Company will continue to seek to expand its business scale and market share and strive to boost its product quality and overall profitability.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

In 2013, the cement equipment and engineering services segment will continue to explore the hotspot markets in Africa, the Middle East and Southeast Asia, while securing its footing in long-term strategic markets including Russia and South America. The acquisition of LNVT in India in order to proactively develop the Indian market, which is expected to enhance the Company's influence in India market with increasing market share. Tapping on exploring and innovating service model to cater to the needs of project owners and to boost the differentiated service capability, the segment will strive to exceed its new order intakes to over RMB30 billion in 2013. Based on the solidifying of the principal business of cement equipment and engineering services, the segment will step up its efforts to secure the relevant EPC engineering projects in non-cement industries. With in-depth embarkment of research of co-disposal of waste by cement kiln, it will improve the city model project of cement kiln disposal of urban garbage in Liyang, Jiangsu, and accelerate the systematic development of urban garbage pre-treatment technology and equipment. On equipment manufacturing, it will strengthen the research and development of upgrading the key equipment for green and ecological upgrade of the cement industry, while vigorously diversifying related equipment businesses development in mining, metallurgical and coal industries. By pushing forward the innovation-driven model with enhanced management level, the Company will maintain its leading position in the global market.

CEMENT

Due to the gradually reduction of new production capacity in China under the continuation of execution of regulatory policy of eliminating backward production capacities, the expansion of cement production capacity is expected to further slow down in 2013. Meanwhile, following the structural adjustment in 2012, competition in the cement industry should tend to be more rational. Recently, 12 ministries and commissions including the Ministry of Industry and Information Technology jointly promulgated the Guidance on Accelerating Merger and Reorganization of Enterprises in Key Industries, which will help to enhance cement industrial concentration and thus allow the enterprises with strong technology and equipment strengths and leading management capability to grow stronger and larger. Cement demand is expected to maintain stable growth, as urbanization construction will become a focus in future economic development and, in west China, there are still considerable room for infrastructure construction and urbanization. As such, the cement segment will seize the opportunities and demand from the infrastructure construction and the new urbanization in western regions to continue to increase its market share. By expediting technological upgrades of the existing production lines and introducing new technologies, it will seek to cut down costs and boost operational efficiency for higher profitability. Meanwhile, the segment will strive to develop new growth drivers through improving the layout of industrial chain. While consolidating and expanding its regional market share in China, the Company expects to draw upon the overall strengths to strive to advance overseas development of the cement manufacturing business through multiple means including merger and acquisition, own investment and project financing.

HIGH-TECH MATERIALS

The high-tech materials segment will strengthen research and development to push ahead the industrialization and large-scale development of advanced composite materials. The supply and demand pattern of glass fiber is expected to improve with less sell-side pressure in 2013, as kiln suspension will reach a peak in the global glass fiber industry where 600,000 tonnes of production capacity will be suspended for maintenance and repair. As such, the glass fiber business will seize this opportunity to accelerate the construction of the 80,000 t/y glass fiber direct-melt furnace production line, seeking to put it into operation in the first half year. To further strengthen the technological upgrade for kiln, effective measures will be taken to reduce energy consumption and costs and upgrade technology level and product quality. The wind power fan blade business will speed up product development and technology upgrades under a further strengthened marketing and sales and standard manufacturing system, aiming to achieve a breakthrough in low-speed wind farm and offshore wind farm and further increase the proportion of export. The CNG cylinder business will continue to expand business scale, while proactively developing high-end market to increase market share. The membrane filter business will, continue to increase its market share in domestic cement industry, and actively explore international market and diversify areas outside of the industry. On solar-energy fused silica crucible business, the segment will realign its business scale and product mix with market demand, to cope with the challenge of "frozen period" of photovoltaic industry.

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

LIU Zhijiang
Chairman of the Board

25 March 2013

BUSINESS REVIEW

Overview

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

As the world economy still faltered in the doldrums with ongoing political turmoil in the Middle East and North Africa during the reporting period, the global demand for cement equipment and engineering services further decreased from 2011 as evidenced by a significant year-on-year decrease in new orders, but the demand in certain regions in the Middle East, Southeast Asia and Africa were better than expectation. Due to the prolonged aftermath of the financial crisis, some project contracts were deferred or even terminated. A number of new projects slowed down the commencement and construction paces, coupled with the escalated operating risks from the potential default in payment of project owners.

In general, China's economy went from slowly stabilized to going up and witnessed steady industrial restructuring progresses, albeit with a slower growth of fixed asset investments. Due to the impact of the overall cement overcapacity and the macro control policies, the investment amount in fixed assets of the domestic cement industry amounted to RMB139.150 billion, representing a year-on-year decrease of 6.95%. As the number of new projects of cement production lines dropped sharply, the potential cement construction market diminished and led to more intense competition and lower gross profit margin of projects.

Business Review

Strengthening the exploration of marketing, enhancing contract performance capability

Addressing the grim external market during the reporting period, the Company took initiatives to refine its business strategy and tap on innovative service model, and continued to strengthen its marketing efforts in the Middle East, Africa, Southeast Asia and Russia. New order intakes for the year amounted to RMB30.8 billion, maintaining its rank as the global No. 1 for five consecutive years in terms of international market share with a year-on-year decrease. However, the distribution of new orders in the overseas market was more diversified. Along with its increasing marketing efforts, the Company further enhanced resource allocation and control for EPC projects, leading to further enhanced contract performance capability. During the reporting period, PAC or FAC certificates were granted to 22 EPC projects, in which, the RCC project phase II in Saudi Arabia was honored the "China Construction Project Luban Award".

Striving to explore and develop the market of the equipment manufacturing business, accelerating overseas acquisition

The Company further strengthened its equipment manufacturing business by implementing a strategy of shifting "from industrial common equipment to more professional equipment" in order to explore relevant industries. With the contribution of the "sales-upon-services" new model for cement parts and maintenance services, new order intakes of parts selling business during the reporting period amounted to RMB600 million. Meanwhile, the Company entered into parts supply contracts or established supply channels with certain overseas cement companies, and achieved a relatively large increase in overseas parts business. Upon completion of the acquisition of LNVT in India which is in an accelerating schedule, the Company will further heighten its influence in Indian market to carry forward its internationalization strategy. In addition, the equipment manufacturing business also made progresses in developing the markets in mining, iron and steel, coal and power industries, entering into a string of supply contracts on lead-zinc tailing pulverizer, slag pulverizer, manganese tailing pulverizer, etc.

Actively developing new businesses to deepen the diversification strategy

To deepen its diversification strategy, the Company actively developed new businesses with a focus on energy conservation and emission reduction and extending industrial chain. During the reporting period, sound progress was achieved in denitration business, newly securing 78 standalone denitration projects. The model project of cement kiln disposal of urban garbage in Liyang, Jiangsu was put in pilot operation, and progress was also made in the development of waste pre-treatment technology and equipment. With a focus on the transforming and upgrading the service model, the Company extended the customer service scope of EPC contracts, with a total of 10 production and operation contracts in execution during the year. Furthermore, the Company also entered into EPC contracts on steelmaking manufacture and ultrafine fly ash projects during the reporting period. A joint venture was established in Saudi Arabia to principally undertake the construction for power stations and infrastructure projects contracting as its main business, making a solid footprint for new business development.

Pushing forward the implementation of the technology-driven strategy to further increase in the core competitiveness

During the reporting period, the segment focused on applied research and development in engineering, equipment, new businesses and new fields under the theme of "energy saving, environment-friendly and low-carbon"; and undertook 231 research and development projects, submitted 95 patent applications and were authorized 124 patents. Awarded with 7 science and technology progress awards and 3 industry innovation awards from the building materials industry, the Company applied for and was approved with 6 national key technology research and industrialization projects, and was executing 15 national projects during 2012. The "Design Specifications on Cement Kiln Co-disposal of Sludge", a national standard for which the Company is the chief editor, was officially promulgated and implemented in October 2012. The preparation of the "Design Specifications on Cement Kiln Co-disposal of Household Garbage", another national standard, was in smooth progress.

CEMENT

Industry Review

Amid the slowdown of the rise of macroeconomic in 2012, the cement industry in China witnessed a slower growth in demand due to a year-on-year decrease in growth of fixed asset investments for the year. China produced 2.21 billion tonnes of cement in 2012, representing a year-on-year increase of 5.3%. Despite a year-on-year decrease in new cement production capacity due to the impact of the regulatory industry policies, the gradual release of former newly-built production capacity escalated the industry-wide imbalance between supply and demand, leading to sluggish product prices since the beginning of the year as well as a significant year-on-year decrease in profitability across the industry. Meanwhile, given the heightened requirements on environmental protection, energy conservation and emission reduction due to social development, local governments strengthened the regulation on emissions of nitrogen oxides by cement enterprises, which had to increase investment to meet the emission standards. As a result, the industry will be suffered from higher costs but also an accelerating elimination of backward production capacities.

Business Review

Increasing production capacity to over 100 million tonnes by strict compliance with the business development strategy

During the reporting period, the Company's cement production increased steading, which total cement production capacity reached 100 million tonnes, with the total production capacity of commercial concrete totaling 27.3 million cubic meters based on the further extended industrial chain. By increasing marketing efforts with a continuous rising market share, the Company sold 71.82 million tonnes of cement and clinker during the year, representing year-on-year growth of 23.97%.

Improving business indicators to respond to industry downturns

Responding to the unfavourable market with insufficient demand and excessive production capacity, the Company took initiatives to optimize internal management, cut down all kind of costs and expenses and raise production and operation indictors. In 2012, standard consumption of coal for each tonne of clinker decreased by 3.16 kg on year-on-year basis. Due to the raised and improved operation indicators, overall production cost for unit product was decreased by and the Company's competitiveness was further uplifted in cement market.

Continuing to perfect the energy conservation and emission reduction in order to fulfill corporate social responsibility

Carrying forward the growth model of energy conservation and emission reduction for recycling economy continuously, a clinker production line with an annual capacity of 1 million tons by utilising carbide slag in Fukang, Xinjiang was put into operation during the reporting period. With 11 waste heat power generation projects commencing operation, the Company's waste heat power generation capacity reached 296MW. The accumulated power generation for the year reached 1,136.02 million kWh, reducing 1,019,600 tonnes of carbon dioxide emission. During the reporting period, the Company constructed denitration systems for a number of clinker production lines, 12 of which have commenced operation.

HIGH-TECH MATERIALS

Industry Review

Due to the slow increase in the global economy with the lingering of sovereign debt crisis during the reporting period, the high-tech materials was faced by great challenges arising from more serious imbalance between insufficient demand and overcapacity in wind power, polysilicon and other emerging industries domestically as well as the continuous escalating of trade protectionism. The wind power fan blade industry witnessed continuous declining prices and sales volume, as a result of the "abandoned wind power" scenario, restriction on power transmission and weaker subsidy policies of foreign government as well as the domestic overcapacity. The CNG cylinder industry posted a surging growth both in production and sales volume on the back of higher market demand under the favourable clean energy policies at home and abroad, yet with a decrease in product prices due to the intensifying competition. The glass fiber market was in weak recovery due to the overcapacity in the industry. The solar-energy fused silica crucible industry mired in recession due to the anti-subsidy and anti-dumping policies in Europe and America, as worsen by entering into the "frozen period" of the insufficient domestic demand.

Business Review

Adjusting industrial structure to realign business scale with industry demand

During the reporting period, the segment proactively adjusted its product mix and expanded business scale through acquisition and new construction to enhance the market competitiveness. During the reporting period, the Company's production capacity for wind power fan blades and CNG cylinders reached 3,300 sets and 280,000 units respectively. Utilizing the production capacity of electronic glass fabrics, while making smooth progress in construction of the 80,000 t/y glass fiber direct-melt furnace project. Under an adjusted industrial plan, the new project for solar-energy fused silica crucibles was slowed down.

Exploring domestic and overseas marketing in order to lower product cost

During the reporting period, the Company enhanced its domestic and overseas market exploration efforts to increase capacity utilization rate a production capacity and gear down unit product cost to achieve economies of scale. Overseas sales of wind power fan blades were further expanded, and the CNG cylinder business recorded desirable sales in Russia, West Asia and other countries and regions. Carrying forward continuously the campaign of "exploring income sources and cutting down expenses in order to lower the cost for cost efficiency" and management enhancement activities, the Company implemented stringent cost control in all respects through adopting centralized tenders for bulk procurement, optimizing production process and workflows and strengthening the collection of trade receivables. Through e-bidding and zero-inventory procurement, the average raw materials procurement price for wind power fan blades was reduced by over 10% year-on-year.

Pressing ahead with new product development to increase the product competitiveness

Under the strengthened marketing and sales and standardized manufacturing system, the wind power fan blade business consolidated the research and development platform to diversify product lines during the reporting period, so as to cater for different customer needs. The electronic ceramics business increased its independence in research and development ability and developed blue-grey glazed TR series products through dry approach for high-strength and high-voltage ceramic insulators, which have successfully entered the European and American markets. The task of "Research on preparation technology of large-size ceramic membrane materials for high-temperature high-pressure gas purification" gained supports from the "863 Technology Program" of the Ministry of Science and Technology. The increasing product competitiveness contributed to the gradually emerging brand value.

FINANCIAL REVIEW

	Year ended 31 December 2012 RMB million	Year ended 31 December 2011 RMB million *(Restated)*	Change RMB million	%
Turnover	**46,272.56**	50,718.59	(4,446.03)	(8.77)
Cost of sales	**(37,921.53)**	(39,911.85)	1,990.32	(4.99)
Gross profit	**8,351.03**	10,806.74	(2,455.71)	(22.72)
Other gains	**1,367.12**	885.21	481.91	54.44
Selling and marketing expenses	**(1,563.03)**	(1,427.10)	(135.93)	9.52
Administrative expenses	**(4,532.46)**	(4,092.37)	(440.09)	10.75
Exchange gain (loss)	**1.69**	(55.75)	57.44	(103.03)
Other expenses	**(31.43)**	(86.67)	55.24	(63.74)
Operating profit	**3,592.92**	6,030.06	(2,437.14)	(40.42)
Interest income	**169.45**	161.90	7.55	4.66
Finance costs	**(1,692.45)**	(1,437.43)	(255.02)	17.74
Share of results of associates	**7.37**	129.74	(122.37)	(94.32)
Profit before tax	**2,077.29**	4,884.27	(2,806.98)	(57.47)
Income tax expense	**(510.97)**	(919.77)	408.80	(44.45)
Profit for the year	**1,566.32**	3,964.50	(2,398.18)	(60.49)
Profit for the year attributable to:				
Owners of the Company	**473.85**	1,462.57	(988.72)	(67.60)
Non-controlling interests	**1,092.47**	2,501.93	(1,409.46)	(56.33)
Dividends	**107.14**	214.29		

Results Performance

During the reporting period, profit before tax of the Group was RMB2,077.29 million, representing a year-on-year decrease of 57.47%. Profit for the year attributable to owners of the Company was RMB473.85 million, representing a year-on-year decrease of 67.60%. Earnings per share of the Company was RMB0.13.

Consolidated Operating Results

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

Turnover

Turnover of the Group in 2012 was RMB46,272.56 million, representing a decrease of 8.77% as compared with RMB50,718.59 million in 2011. The decrease was mainly due to the decrease in the turnover of the cement equipment and engineering services segment. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB4,437.69 million, increased by RMB303.70 million and decreased by RMB116.91 million, respectively.

Cost of Sales

Cost of sales of the Group in 2012 was RMB37,921.53 million, representing a decrease of 4.99% as compared with RMB39,911.85 million in 2011. The decrease was mainly due to the decrease in the business of the cement equipment and engineering services segment. In particular, cost of sales of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB3,970.30 million, increased by RMB2,299.37 million and decreased by RMB18.72 million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2012 was RMB8,351.03 million, representing a decrease of 22.72% as compared with RMB10,806.74 million in 2011. In particular, gross profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB467.39 million, RMB1,995.67 million and RMB98.19 million, respectively.

Gross margin of the Group in 2012 was 18.05%, representing a decrease of 3.26 percentage points as compared with 21.31% in 2011. Gross margin of the cement equipment and engineering services segment increased while gross margin of the cement segment and the high-tech materials segment declined.

Other Gains

Other gains of the Group in 2012 were RMB1,367.12 million, representing an increase of 54.44% as compared with RMB885.21 million in 2011 which was mainly due to the increase in government grants.

Selling and Marketing Expenses

Selling and marketing expenses of the Group in 2012 were RMB1,563.03 million, representing an increase of 9.52% as compared with RMB1,427.10 million in 2011. The increase was mainly due to the increase in product sales volume of the cement segment. In particular, selling and marketing expenses of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB18.54 million, increased by RMB141.93 million and increased by RMB12.53 million, respectively.

Administrative Expenses

Administrative expenses of the Group in 2012 were RMB4,532.46 million, representing an increase of 10.75% as compared with RMB4,092.37 million in 2011. The increase was mainly due to the increase in impairment loss and labour costs. In particular, administrative expenses of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB355.25 million, decreased by RMB103.70 million and increased by RMB183.43 million, respectively.

Exchange Gain (Loss)

Exchange gain of the Group in 2012 was RMB1.69 million, representing an increase of 103.03% as compared with the exchange loss of RMB55.75 million in 2011. The increase was mainly due to the decrease of the transactions denominated in foreign currencies.

Other Expenses

Other expenses of the Group in 2012 were RMB31.43 million, representing a decrease of 63.74% as compared with RMB86.67 million in 2011. The decrease was mainly due to the large amount loss from the changes in fair values of the derivative financial instruments in the previous year.

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2012 was RMB3,592.92 million, representing a decrease of 40.42% as compared with RMB6,030.06 million in 2011. In particular, operating profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB806.91 million, decreased by RMB1,869.11 million and increased by RMB37.03 million, respectively.

Operating profit margin in 2012 was 7.76%, representing a decrease of 4.13 percentage points as compared with 11.89% in 2011.

Interest Income

Interest income of the Group in 2012 was RMB169.45 million, representing an increase of 4.66% as compared with RMB161.90 million in 2011.

Finance Costs

Finance costs of the Group in 2012 were RMB1,692.45 million, representing an increase of 17.74% as compared with RMB1,437.43 million in 2011. The increase was mainly due to the expansion of the scale of borrowings.

Share of Results of Associates

Share of results of associates of the Group in 2012 was RMB7.37 million, representing a decrease of 94.32% as compared with RMB129.74 million in 2011. The decrease was mainly due to the losses of certain associates during the year.

Income Tax Expense

Income tax expense of the Group in 2012 was RMB510.97 million, representing a decrease of 44.45% as compared with RMB919.77 million in 2011, mainly due to the decrease in profit before tax.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests of the Group in 2012 was RMB1,092.47 million, representing a decrease of 56.33% as compared with RMB2,501.93 million in 2011.

Profit for the Year Attributable to Owners of the Company

Based on the above, profit for the year attributable to owners of the Company in 2012 was RMB473.85 million, representing a decrease of 67.60% as compared with RMB1,462.57 million in 2011.

Segment Results

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

Cement Equipment and Engineering Services

	2012	2011	Change
	RMB million	RMB million	%
		(Restated)	
Turnover	**22,936.02**	27,373.71	(16.21)
Cost of sales	**19,433.67**	23,403.97	(16.96)
Gross profit	**3,502.35**	3,969.74	(11.77)
Selling and marketing expenses	**173.22**	191.76	(9.67)
Administrative expenses	**2,064.69**	1,709.44	20.78
Segment results	**1,315.86**	2,122.77	(38.01)

Turnover

Turnover of the cement equipment and engineering services segment in 2012 was RMB22,936.02 million, representing a decrease of 16.21% as compared with RMB27,373.71 million in 2011. The decrease was mainly due to the decrease in business.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2012 was RMB19,433.67 million, representing a decrease of 16.96% as compared with RMB23,403.97 million in 2011, mainly due to the decrease in business.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2012 was RMB3,502.35 million, representing a decrease of 11.77% as compared with RMB3,969.74 million in 2011. Gross margin of the cement equipment and engineering services segment increased by 0.77 percentage point from 14.50% in 2011 to 15.27% in 2012. The increase was mainly due to the decrease in the proportion of the business with a lower gross margin.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2012 were RMB173.22 million, representing a decrease of 9.67% as compared with RMB191.76 million in 2011, mainly due to the decrease in business.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment in 2012 were RMB2,064.69 million, representing an increase of 20.78% as compared with RMB1,709.44 million in 2011. The increase was mainly due to the increase in impairment loss.

Segment Results

Based on the above, results of the cement equipment and engineering services segment in 2012 were RMB1,315.86 million, representing a decrease of 38.01% as compared with RMB2,122.77 million in 2011.

Cement

	2012	2011	Change
	RMB million	RMB million	%
		(Restated)	
Turnover	**20,545.01**	20,241.31	1.50
Cost of sales	**16,719.95**	14,420.58	15.95
Gross profit	**3,825.06**	5,820.73	(34.29)
Selling and marketing expenses	**1,066.69**	924.76	15.35
Administrative expenses	**1,621.95**	1,725.65	(6.01)
Segment results	**1,904.04**	3,773.15	(49.54)

Turnover

Turnover of the cement segment in 2012 was RMB20,545.01 million, representing an increase of 1.50% as compared with RMB20,241.31 million in 2011. The increase was mainly due to the increase in sales volume of cement and cement products.

Cost of Sales

Cost of sales of the cement segment in 2012 was RMB16,719.95 million, representing an increase of 15.95% as compared with RMB14,420.58 million in 2011. The increase was mainly due to the increase in sales volume of cement and cement products.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2012 was RMB3,825.06 million, representing a decrease of 34.29% as compared with RMB5,820.73 million in 2011. Gross margin of the cement segment decreased by 10.14 percentage points from 28.76% in 2011 to 18.62% in 2012. The decrease was mainly due to a noticeable price drop of products.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2012 were RMB1,066.69 million, representing an increase of 15.35% as compared with RMB924.76 million in 2011. The increase was mainly due to the increase in sales volume of cement and cement products.

Administrative Expenses

Administrative expenses of the cement segment in 2012 were RMB1,621.95 million, representing a decrease of 6.01% as compared with RMB1,725.65 million in 2011.

Segment Results

Based on the above, results of the cement segment in 2012 were RMB1,904.04 million, representing a decrease of 49.54% as compared with RMB3,773.15 million in 2011.

High-tech Materials

	2012	2011	Change
	RMB million	RMB million	%
		(Restated)	
Turnover	**6,130.03**	6,246.94	(1.87)
Cost of sales	**4,780.18**	4,798.90	(0.39)
Gross profit	**1,349.85**	1,448.04	(6.78)
Selling and marketing expenses	**323.11**	310.58	4.03
Administrative expenses	**772.20**	588.77	31.15
Segment results	**740.80**	703.77	5.26

Turnover

Turnover of the high-tech materials segment in 2012 was RMB6,130.03 million, representing a decrease of 1.87% as compared with RMB6,246.94 million in 2011. The decrease was mainly due to the decrease in sales volume and prices of certain products.

Cost of Sales

Cost of sales of the high-tech materials segment in 2012 was RMB4,780.18 million, representing a decrease of 0.39% as compared with RMB4,798.90 million in 2011.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2012 was RMB1,349.85 million, representing a decrease of 6.78% as compared with RMB1,448.04 million in 2011. Gross margin of the high-tech materials segment decreased by 1.16 percentage points from 23.18% in 2011 to 22.02% in 2012.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2012 were RMB323.11 million, representing an increase of 4.03% as compared with RMB310.58 million in 2011.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2012 were RMB772.20 million, representing an increase of 31.15% as compared with RMB588.77 million in 2011. The increase was mainly due to the increase in impairment loss and expenses in research and development.

Segment Results

Based on the above, results of the high-tech materials segment in 2012 were RMB740.80 million, representing an increase of 5.26% as compared with RMB703.77 million in 2011.

Liquidity and Capital Resources

Cash flows:

	2012	2011
	RMB million	RMB million
		(Restated)
Net cash generated from (used in) operating activities	**1,703.60**	(1,137.15)
Net cash used in investing activities	**(5,752.49)**	(7,806.58)
Net cash generated from financing activities	**3,043.83**	5,894.55
Cash and cash equivalents at the end of the year	**9,186.64**	10,205.17

Net cash generated from (used in) operating activities

Net cash generated from (used in) operating activities increased from RMB1,137.15 million cash outflow in 2011 to RMB1,703.60 million cash inflow in 2012. The increase was mainly due to the significant decrease in the net increase amount of inventory, trade and other receivables on a year-on-year basis.

Net cash used in investing activities

Net cash used in investing activities decreased from RMB7,806.58 million in 2011 to RMB5.752.49 million in 2012. The decrease was mainly due to the decrease in the investment in fixed assets on a year-on-year basis.

Net cash generated from financing activities

Net cash generated from financing activities decreased from RMB5,894.55 million in 2011 to RMB3,043.83 million in 2012. The decrease was mainly due to the improvement of net cash generated from operating activities and the decrease in the investment activities on a year-on-year basis and decrease in demand in cash.

Working Capital

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB9,186.64 million (2011: RMB10,205.17 million). Unutilised bank credit facilities amounted to RMB31,172.86 million (2011: RMB30,630.08 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2012 decreased to 87.98% (2011: 96.23%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, medium-term notes and corporate bonds as shown in the consolidated statement of financial position) less restricted bank balances and bank balances and cash. As at 31 December 2012, the net debt ratio of the Group was 81.76% (2011: 78.93%).

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

Borrowings

As at 31 December 2012, the balance of the Group's borrowings amounted to RMB33,292.99 million.

	31 December 2012 RMB million	31 December 2011 RMB million
Short-term borrowings and long-term borrowings due within one year	**15,868.54**	13,610.40
Short-term financing bills	**400.00**	800.00
Long-term borrowings, net of portions due within one year	**9,280.60**	9,641.00
Corporate bonds	**2,490.24**	2,487.83
Medium-term notes	**5,253.61**	4,352.67
Total borrowings	**33,292.99**	30,891.90

Net Current Liabilities

As at 31 December 2012, the net current liabilities of the Group was approximately RMB5,054.96 million, representing an increase of RMB3,622.55 million as compared with the net current liabilities of RMB1,432.41 million as at 31 December 2011. The increase was mainly due to the increase in the short-term borrowings and trade and other payables.

Inventory Analysis

As at 31 December 2012, the inventory of the Group was approximately RMB8,431.50 million, representing an increase of RMB274.18 million as compared with RMB8,157.32 million as at 31 December 2011. The inventory turnover days increased from 61.81 days in 2011 to 79.83 days in 2012. The increase was mainly due to the decrease in turnover.

Trade Receivables

As at 31 December 2012, the Group's trade receivables was approximately RMB10,397.09 million, representing an increase of RMB1,756.50 million as compared with the trade receivables of RMB8,640.59 million as at 31 December 2011. In 2012, the average turnover days of trade receivables of the Group increased by 25.12 days from 49.97 days in 2011 to 75.09 days in 2012, which was due to the decrease in turnover.

Contract Work-in-Progress

As at 31 December 2012, the Group's contract work-in-progress was approximately RMB270.03 million (as at 31 December 2011: RMB209.78 million), such change was mainly due to slow down in settlement of some contract work-in-progress.

Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments with carrying values of RMB3,305.17 million and RMB170.38 million respectively as at 31 December 2012 were pledged as security (31 December 2011: RMB2,529.50 million and RMB204.82 million respectively).

Contingent Liabilities

	The Group	
	2012	2011
	RMB'000	RMB'000
Outstanding guarantees	**30,000**	60,000
Total	**30,000**	60,000

Material Investment

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

Material Acquisitions and Disposals of Assets

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

Market Risks

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

Contract Risks

The international business accounts for a larger proportion in the Company's cement equipment and engineering services businesses, with a long construction period. Furthermore, in respect of the overseas contracts, under the impacts of uncontrollable factors such as the global environment and political and economic conditions of the place of contract performance, certain projects may have the risks of being deferred, modified or terminated. The logicstics business engaged by the Company in recent two years involves steel trading. Due to factors including the deteriorating environment of steel trading, therefore such business encountered risks.

During the reporting period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the execution ability of contracts. In order to clear out the contracts at hand, the Company has carried out risk prevention plan. For the projects under construction, the Company enhanced assessment of the default in payment of project owners, paid close attention to the project owners' credit status, and conduct periodic settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with the project owners to avoid losses. The Company has terminated the steel trading business. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

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

Interest Rate Risks

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

Raw Materials and Energy Price Risks

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

EXECUTIVE DIRECTORS

LIU Zhijiang, aged 55, has been an executive Director and chairman of the Board since February 2013. Prior to that, Mr. Liu served as a non-executive Director from July 2007 to February 2013. He has over 30 years of experience in the PRC non-metal materials industry and served a number of key positions in Tianjin Cement Industry Design & Research Institute from August 1982 to May 2005, such as deputy head and head of the institute. He served as a deputy general manager of the Parent from May 2005 to May 2009; a director and general manager of the Parent from May 2009 to January 2013, and has been appointed as the chairman of the Parent since January 2013. Mr. Liu has been serving as a director of Sinoma International, an A share-listed company, since April 2006, and served as the chairman of the board of Sinoma International from April 2006 to December 2009. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded as Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家), China Engineering Design Master and was included in the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程國家級人選). Mr. Liu also serves various positions such as the vice president of China Building Materials Federation (中國建築材料聯合會) and the president of China Building Material Construction Association (中國建材工程建設協會). Mr. Liu graduated from South China University of Technology (華南理工大學) in July 1982, majoring in binding materials. He is a professorate senior engineer.

LI Xinhua, aged 48, is an executive Director and president of the Company and has been the vice chairman of the Board since February 2013. He served as a vice president of the Company from July 2007 to October 2009. He has been serving as an executive Director since December 2009; vice chairman of the Board from December 2009 to May 2011, and president of the Company since January 2011. Mr. Li has over 25 years of experience in the non-metal materials industry. Mr. Li has served various key positions, such as vice president and president in Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院), currently a subsidiary of the Parent, from August 1985 to March 2002. Mr. Li has been the chairman of the board of Sinoma Science & Technology, an A share-listed company, since May 2003, and served as the president of Sinoma Science & Technology from October 2009 to August 2010. Mr. Li has been serving as a director of the Parent since January 2013 and has served as a general manager of the Parent since February 2013. From May 2011 to October 2012, he served as a director of BBMG Corporation. He has also been serving as director of three listed companies, namely, Qilianshan Co., Sinoma International and Ningxia Building Materials, since June 2011, July 2011 and December 2011, respectively. Mr. Li is a National Young and Middle Aged Expert with Important Contribution (國家有突出貢獻的中青年專家) and is entitled to a special government allowance provided by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the vice president of Chinese Society for Composite Material (中國複合材料學會), and the vice chairman of Chinese Ceramic Society (中國硅酸鹽學會). Mr. Li graduated with a bachelor's degree in chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer.

NON-EXECUTIVE DIRECTORS

YU Shiliang, aged 58, re-designated as a non-executive Director since February 2013. Mr. Yu served as an executive Director and president of the Company from July 2007 to March 2009, and then was re-designated as a non-executive Director and ceased to be the president of the Company since March 2009. From May 2011 to September 2012, he served as the vice chairman of the Board, and was appointed as an executive Director and chairman of the Board from September 2012 to February 2013. Mr. Yu has worked over 30 years in the non-metal materials industry. Mr. Yu has held various positions in State Bureau of Building Materials Industry Xianyang Research & Design Institute of Ceramics (國家建材局咸陽陶瓷研究設計院), such as the deputy head and head of the institute from July 1980 to April 1995 and served as the head of State Building Materials Bureau Synthetic Crystals Research Institute (國家建材局人工晶體研究所), currently a subsidiary of the Parent, from April 1995 to April 1997. Mr. Yu served as the general manager of the Parent from April 1997 to October 2000 and served as the deputy general manager of the Parent from October 2002 to November 2007 and has been serving as the vice chairman of the board of the Parent since May 2009. Mr. Yu served as a director of Sinoma Science & Technology, a listed company, from December 2001 to December 2004 and has been serving as its director since March 2008, and as a director of BBMG Corporation, a listed company, since October 2012. Mr. Yu was entitled to a special government allowance provided by the State Council. In 2006, he was awarded the fifth National Outstanding Entrepreneur in Innovation. Mr. Yu was elected as the representative to the 16th and 17th National People's Congress of Chinese Communist Party. He graduated from Nanjing University of Technology (南京工業大學) in August 1978, majoring in ceramics. He is a professorate senior engineer.

ZHANG Hai, aged 54, is a non-executive Director. Mr. Zhang has been serving as the deputy general manager of the Parent since January 1996, and the secretary to the board of the Parent since May 2009. Mr. Zhang served various positions in different departments of the State Bureau of Building Materials Industry from August 1982 to January 1996, including a technician in the Beijing FRP Research and Design Institute (北京玻璃鋼研究所), the principal staff member, the deputy division head, the division head of the personnel department and the director of the office of the Party leadership group. Equipped with over 25 years of experience in the PRC non-metal materials industry, Mr. Zhang is entitled to a special government allowance provided by the State Council. Mr. Zhang graduated with a doctoral degree in economics from Wuhan University of Technology (武漢理工大學) in December 2007. He is a professorate senior engineer.

TANG Baoqi, aged 53, is a non-executive Director. Mr. Tang has over 25 years of experience in the banking industry and financial industry. Mr. Tang served in various departments in the headquarters of China Construction Bank from August 1983 to June 1999, including the transportation division in the second investment department, the non-industrial division in the investment department, the reserve loan division in the second credit department, the electrical, mechanical and textile division in the credit department and in the planning and finance division in the business department. Mr. Tang served in the debt management department of China Cinda Asset Management Co., Ltd. from June 1999 to February 2000. Mr. Tang served as the general manager in asset management department of Well Kent International Investment Company Limited from February 2000 to April 2006. From April 2006 to April 2011, Mr. Tang has served as the chief financial officer of Well Kent International Investment Company Limited. Since April 2011, Mr. Tang has served as the vice president of Well Kent International Investment Company Limited. Mr. Tang graduated with a bachelor's degree in economics from the Infrastructure Finance and Credit Faculty of Hubei Institute of Finance and Economics (湖北財經學院) in August 1983. He is also qualified as a senior economist.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Chong Shun, aged 47, is an independent non-executive Director. Mr. Leung has been serving as an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd (利君國際醫藥（控股）有限公司) since October 2005, an independent non-executive director of China Metal Recycling (Holdings) Limited since May 2009 and an independent non-executive director of China Communications Construction Company Ltd. (中國交通建設股份有限公司) since January 2011. Mr. Leung is a partner of Woo Kwan, Lee & Lo. (胡關李羅律師行), a reputable law firm based in Hong Kong. Mr. Leung became a practicing lawyer since 1991. Mr. Leung graduated from the University of Hong Kong in November 1988 where he obtained a bachelor's degree of Laws with honours and is qualified as a solicitor in both Hong Kong and England.

SHI Chungui, aged 72, is an independent non-executive Director. Mr. Shi has been serving as a non-executive director of Aluminum Corporation of China Limited (中國鋁業股份有限公司) since June 2005 and has been serving as an independent non-executive director of Intime Department Store (Group) Company Limited (銀泰百貨(集團)有限公司) since August 2008. Mr. Shi has extensive experience in accounting, government and business administration. Mr. Shi served various key positions in the People's Government of Qinhuangdao, Hebei Province (河北省秦皇島市政府) from January 1972 to June 1988, such as the director of the commerce bureau and deputy mayor. Mr. Shi successively served as the president of Hebei Branch of China Construction Bank, the president of Beijing Branch of China Construction Bank and the vice president of the headquarter of China Construction Bank, from June 1988 to April 1999. Mr. Shi served as a vice president of Cinda from April 1999 to June 2001 and served as the vice chairman of the board of Tianjin Pipe Co., Ltd. (天津鋼管有限公司) from June 2001 to September 2003. Mr. Shi also served as the vice president of China Investment Institute (中國投資學會). Mr. Shi graduated with a bachelor's degree in public finance from Dongbei University of Finance and Economics (東北財經大學). Mr. Shi is currently a senior economist.

LU Zhengfei, aged 49, is an independent non-executive Director. Mr. Lu is currently an associate dean, a professor and a supervisor of doctoral students with Guanghua School of Management of the Peking University (北京大學光華管理學院). He is also a consultant to the China Accounting Standards Committee of the Ministry of Finance of the PRC (財政部會計準則委員會), a member and academic committee member of the Accounting Society of China (中國會計學會), an executive member of the Standing Committee of the China Audit Society (中國審計學會), and a guest editor of Accounting Research (《會計研究》) and Audit Research (《審計研究》). Mr. Lu has over 20 years of experience in the accounting industry and therefore has gained extensive operational and managerial experience as well as profound knowledge of this field. Mr. Lu served as an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) from February 2004 to January 2011 and has been serving as an independent supervisor of such company since January 2011. Mr. Lu has been an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) since September 2004, an independent non-executive director of Sino Biopharmaceutical Limited (中國生物制藥有限公司) since November 2005 and an independent non-executive director of Lian Life Insurance Company, Ltd (利安人壽保險股份有限公司). since May 2011. Mr. Lu was selected as one of the "Top 100 Talents Program (百人工程)" in social science theories in Beijing in 2001 and one of the "New Century Excellent Scholarship Program (新世紀優秀人才支持計劃)" of the Ministry of Education of the PRC (中國教育部) in 2005. Mr. Lu graduated with a doctoral degree in economics from Nanjing University (南京大學) in June 1996 and completed the post-doctoral research in economics (accounting) at Renmin University of China (中國人民大學).

WANG Shimin, aged 64, is an independent non-executive Director. Mr. Wang served in the Supreme People's Court of the PRC (最高人民法院) from 1980 to 2008, during which he served various key positions, such as the deputy chief of National Judges College (國家法官學院), the deputy chief of Administration in General Office (辦公廳) of the Supreme People's Court and the chief of Bureau of Justice and Material Administration (司法行政裝備管理局). Mr. Wang graduated with a second bachelor's degree in law from University of Science and Technology Beijing (北京科技大學). He is currently a professor at National Judges College.

ZHOU Zude, aged 67, an independent non-executive Director since July 2010. Mr. Zhou is the Chief Professor and supervisor of doctoral students of the School of Mechanical and Electronic Engineering of Wuhan University of Technology (武漢理工大學), a director of the key laboratory of digital manufacturing in Hubei Province (湖北省數字製造重點實驗室) and a chair professor in mechatronics. Mr. Zhou held various positions, such as the lecturer and researcher director of electric engineering faculty of Huazhong University of Science and Technology (華中理工大學), the deputy professor and professor of Mechanical Engineering Faculty Department of Huazhong University of Science and Technology, the vice president of Huazhong University of Science and Technology, the visiting professor of University of Bolton and National University of Singapore, from July 1970 to May 2000. From May 2000 to June 2010, Mr. Zhou served as the president of Wuhan University of Technology. Mr. Zhou is a senior member of Chinese Mechanical Engineering Society and American Mechanical Engineering Society. Mr. Zhou is also the chief editor of the magazine "Digital Manufacture Science (《數字製造科學》)" and the journal of natural science of Wuhan University of Technology, the director of the International Academy for Production Engineering (國際生產工程學會), the deputy chief editor of the magazine "International Biological Mechanics and Electric and Mechanical Engineering Integration (《國際生物機械與機電一體化》)" and a member of the editors of the magazine "International Vibration and Noises (《國際振動與噪聲》)". Mr. Zhou is also the vice chairman of the fourth board of the Chinese Mechanical Engineering Magazine Agency. Mr. Zhou graduated from Huazhong University of Science and Technology in July 1970 and majored in electric system automation. Mr. Zhou also attended advanced studies at the University of Birmingham.

SUPERVISORS

XU Weibing, aged 53, is the chairman of the Supervisory Committee of the Company. Ms. Xu has been serving as the chief accountant of the Parent since October 2000 and served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from 2005 to July 2007. Ms. Xu has over 25 years of working experience in financial accounting and capital operation. She joined the Parent in 1989 and has served various key accounting and financial positions. Ms. Xu is entitled to a special government allowance provided by the State Council. She also serves as the committee member of China Association of Chief Financial Officers, deputy head of Geology Division of China Association of Chief Financial Officers, deputy head of building materials sub-committee of the Accounting Society of China and deputy head of geology sub-committee of the Accounting Society of China. Ms. Xu graduated from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983, majoring in finance. She is also a senior accountant.

ZHANG Renjie, aged 48, is a Supervisor of the Company. Mr. Zhang has been serving as the chief financial officer of Taian State-owned Assets Management Co., Ltd. since August 2005. Mr. Zhang previously served as a deputy director of the finance division of Taian Fruit Company (泰安市果品公司) from August 1984 to March 1991. He served as the deputy director of finance division and audit division of Taian Machinery and Electronics Administrative Bureau from March 1991 to January 2000. Mr. Zhang served as the manager of the finance and audit department and an assistant to the general manager of Taian State-owned Assets from January 2000 to August 2005. Mr. Zhang graduated in 1997 from Shandong Executive Leadership Academy (山東幹部大學) with a bachelor's degree in accounting. He is also a senior auditor.

WANG Jianguo, aged 56, is a Supervisor of the Company. Mr. Wang is currently a vice chairman of the board of BBMG. Prior to that, he served as the deputy head of Beijing Ceramics Factory (北京市陶瓷廠) from March 1992 to September 1995. Mr. Wang also worked in Beijing Building Material Group Corporation as an operational manager and the vice chairman of the labour union from September 1995 to August 2000, and later became the chairman of the labor union of BBMG since August 2000. Mr. Wang served as a director and chairman of the labour union of BBMG since March 2006, and a director and standing deputy general manager from November 2009 to July 2012, then as the vice chairman of the board of BBMG since July 2012. Mr. Wang graduated from Capital University of Economics and Business (首都經貿大學) in July 1987 and majored in economics. Mr. Wang is currently an economist and senior political engineer.

YU Xingmin, aged 57, is an employee representative Supervisor of the Company. Mr. Yu served as an executive vice president of Sinoma International from August 2005 to December 2009, and has been serving as vice chairman of the board of Sinoma International since December 2009. Mr. Yu worked in Tianjin Cement Industry Design & Research Institute with various positions such as the deputy head and head of the institute, general manager and chairman from February 1982 to January 2010. At present, Mr. Yu also serves as the vice president of China Building Material Federation. In May 2008, Mr. Yu obtained his executive master's degree in business administration program jointly organized by University of Science and Technology Beijing and the University of Texas at Arlington. He is currently a professorate senior engineer and a National Engineering Survey and Design Master.

QU Xiaoli, aged 42, is an employee representative Supervisor of the Company. Mr. Qu has been serving as the director of the finance department of the Company since August 2007. Mr. Qu served in the audit department of China Construction Materials and Geological Prospecting Center (中國建材地質勘查中心) from July 1995 to November 1999. He also served as the chief accountant of Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司) from November 1999 to August 2006. Mr. Qu served as a supervisor of Sinoma International, Qilianshan Co., Tianshan Cement and Ningxia Building Materials respectively since July 2011, October 2011, December 2011 and December 2011 respectively. Mr. Qu graduated from Shijiazhuang University of Economics (石家莊經濟學院) in July 1995 and majored in accounting. He is also a senior accountant.

SENIOR MANAGEMENT

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

YU Mingqing, aged 49, is the vice president of the Company. Mr. Yu worked in Wuhan Building Materials Industry Design and Research Institute (武漢建築材料設計研究院), currently a subsidiary of the Parent, from June 1988 to June 1989. Mr. Yu worked at Shandong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院), from July 1989 to April 2001, where he served various key positions such as vice head and head of the institute. Mr. Yu also served as the head of Sinoma Synthetic Crystals Research Institute (中材人工晶體研究院), currently a subsidiary of the Parent, from May 2001 to November 2005. Mr. Yu served as the chairman of the board of Sinoma Advanced Materials from June 2004 to February 2009, and he had been the deputy general manager of China National Non-Metallic Materials Corporation, our predecessor, since October 2004. Mr. Yu has worked over 25 years in the non-metal materials industry and has accumulated extensive knowledge of the industry. He is entitled to a special government allowance provided by the State Council and is a Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家) and an Outstanding Entrepreneur in the National Building Materials Industry (全國建材行業優秀企業家). Mr. Yu also serves as the member of China Building Materials Federation, member of the State Construction Material Industry Technology Education Committee, and standing director of Chinese Ceramic Society. Mr. Yu graduated from Wuhan University of Technology (武漢理工大學) in January 2003, majoring in materials and holds a doctorate degree in engineering. Mr. Yu is currently a professorate senior engineer.

GU Chao, aged 52, is the vice president of the Company, and was appointed as the secretary to the Board of the Company in July 2010. Mr. Gu joined China Building Materials Industry Construction Corporation (中國建築材料工業建設總公司), our predecessor, in 1989, where he served various senior managerial positions in production, business development and overseas engineering departments. Mr. Gu served as a deputy general manager of our predecessor China National Non-Metallic Materials Corporation since September 2000. Mr. Gu has over 25 years of work experience in the non-metallic materials industry and has profound understanding of this industry in China. Mr. Gu graduated from Xi'an University of Architecture and Technology (西安冶金建築學院) in July 1982, majoring in constructions. Mr. Gu is currently a professorate senior engineer.

SU Kui, aged 50, is the vice president of the Company. Mr. Su has extensive experience in corporate investment, operation and management, and has more than 25 years of experience in the non-metallic materials industry. Mr. Su joined the Parent in 1987 and held various positions such as manager of the general planning department, manager of finance department, manager of planning and technical department and assistant to the general manager of the Parent. Mr. Su had been serving as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation, since March 2002 and was the secretary of the Board of the Company from July 2007 to July 2010. Mr. Su is also a member of the State Construction Material Industry Technology Education Committee (國家建築材料工業科技教育委員會), director of Special Committee on Non-metallic Minerals (非金屬礦專委會), standing director of Chinese Ceramic Society (中國硅酸鹽學會) and director-general of Non-metallic Minerals Branch (非金屬礦分會). Mr. Su graduated from Wuhan University of Technology (武漢理工大學) in July 1984, majoring in non-metals mining. He is currently a professorate senior engineer.

JIN Leyong, aged 58, is the vice president of the Company. Mr. Jin has over 30 years of experience in the building materials industry. Mr. Jin served various positions such as assistant engineer, engineer, department head and assistant to the president of Tianjin Cement Institute from January 1982 to June 1992. Mr. Jin then joined China Nongfang North Corporation (中國農房華北公司) and served as the deputy general manager and general manager from June 1992 to October 1999. Mr. Jin was subsequently appointed as the deputy chief of the State Building Materials Bureau Retirement Department (國家建材局離退休幹部局) for a term commencing from October 1999 and ending in October 2001. Mr. Jin first joined the Parent in October 2001 and served senior managerial positions in various subsidiaries of the Parent. Mr. Jin had served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since December 2005. Mr. Jin graduated from Wuhan University of Technology (武漢理工大學) in January 1982 with a bachelor's degree in constructions. He is currently a professorate senior engineer. In December 2012, he was qualified as CERMIC (高級風險管理與內控職業經理) by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會).

SUI Yumin, aged 48, is the vice president of the Company and has been serving as the chairman of the board of Sinoma Cement since April 2010. Mr. Sui has over 25 years of extensive work experience in the cement industry. He held various positions in Lunan Cement Factory (魯南水泥廠) such as deputy chief engineer and executive deputy general manager from August 1986 to August 2003. Mr. Sui worked as the deputy general manager of Sinoma Cement and the chairman of the board and general manager of Sinoma Hanjiang from August 2003 to September 2004. Subsequently, Mr. Sui served as the deputy general manager and executive deputy general manager of

Tianshan Cement until July 2007. Mr. Sui has been serving as a director of Tianshan Cement and Ningxia Building Materials since October 2005 and December 2008, respectively. Mr. Sui graduated from Shandong Institute of Building Materials (山東建材學院) in July 1986, majoring in cement engineering, and obtained his executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010. Mr. Sui is currently a professorate senior engineer.

ZHANG Zhifa, aged 59, is the vice president of the Company. Mr. Zhang has over 30 years of experience in the non-metallic materials industry. Mr. Zhang first joined the Group in July 2007 and prior to that he worked for Taian Dongping Cement Factory (泰安市東平水泥廠) as the deputy head and head of the factory from January 1978 to June 1986. Then Mr. Zhang worked in Taian Building Materials Bureau (泰安市建材工業局) until 1999 holding various positions including deputy head. Mr. Zhang also served as the chairman of the board and general manager of Taian Taishan Composite Materials Co., Ltd. (泰安市泰山複合材料有限公司) from June 2000 to December 2001. Mr. Zhang served as the chairman of the board of CTG from January 2002 to July 2010. At present, Mr. Zhang also serves as the vice president of China Building Materials Federation. Mr. Zhang was the representative of the 10th and 11th National People's Congress, Mr. Zhang also received National Science and Technology Prize (國家科學技術獎) and is entitled to a special government allowance provided by the State Council. He is also a specialist professor commissioned under the Scheme of Taishan Scholars of Shandong Province (山東省泰山學者). Mr. Zhang graduated from Nanjing University of Technology (南京工業大學) in January 1978, majoring in silicate materials. He is currently a professorate senior engineer.

WANG Baoguo, aged 57, is the vice president of the Company. Mr. Wang worked for the Shandong Economic Planning Commission (山東省計委) from 1981 to 1992. Mr. Wang also served as deputy mayor of Dongying City, Shandong Province (山東省東營市副市長) from December 1992 to October 2003. Mr. Wang served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from October 2004 to July 2007, and a Supervisor of the Company from July 2007 to October 2009, and he has been serving as the vice president of the Company since October 2009. Mr. Wang also served as the general manager of Sinoma Jinjing from October 2004 to June 2011, and the chairman from October 2004 to January 2013. Mr. Wang graduated from the Party School of the Central Committee of the Communist Party of China (CPC) (中共中央黨校), majoring in economics and management. Mr. Wang is currently a senior economist.

WANG Guanglin, aged 54, is the vice president of the Company. Mr. Wang has also been serving as the chairman of the board of Ningxia Building Materials since November 2005. Mr. Wang has over 25 years of experience in cement industry. He held various positions such as an assistant to the head and the deputy head of Ningxia Cement Factory (寧夏水泥廠) from November 1984 to March 1997, and successively served as head, deputy general manager, chairman of the board and general manager in Qingtongxia Cement Factory, Ningxia Hui Autonomous Region Building Materials Industrial Corporation, Qingtongxia Cement Corporation and Ningxia Building Materials Group from March 1997 to November 2005, respectively. He served as the chairman of the board of Sinoma Cement from September 2007 to April 2010. Mr. Wang graduated from Chinese University of Hong Kong in December 2008 with a master's degree in business administration. Mr. Wang is currently a professorate senior engineer.

WANG Wei, aged 56, is the vice president of the Company. Mr. Wang served as a director and the president of Sinoma International from December 2001 to December 2009 and has been serving as the chairman of the board of Sinoma International since December 2009. Mr. Wang served as the supervisor of the Company from July 2007 to March 2010 and was appointed as the vice president of the Company in March 2010. Mr. Wang joined the Parent in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. Wang served as the deputy general manager and general manager of China National Non-Metallic

Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. Wang has extensive knowledge of the industry. He also serves as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會), an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies (中國上市公司協會併購融資委員會), and the vice president of China Cement Association (中國水泥協會). Mr. Wang graduated from Nanjing University of Technology (南京工業大學) in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

LIU Yan, aged 47, is the vice president of the Company. Mr. Liu has also been serving as the chairman of the board of Sinoma Advanced Materials since January 2010. Mr. Liu joined the Parent in 1985 and held various positions such as assistant to the head and deputy head of Nanjing Fiberglass R&D Institute (南京玻璃纖維研究設計院). Mr. Liu was the vice president of Sinoma Science & Technology from December 2001 to May 2003 and was the president of Sinoma Science & Technology from May 2003 to October 2009. Mr. Liu graduated from Nanjing University of Technology (南京工業大學) in July 1985, majoring in silicate engineering. Mr. Liu is currently a senior engineer.

SUN Tieshi, aged 48, has been serving as the vice president of the Company since May 2012. Mr. Sun worked for the State Bureau of Building Materials Industry from July 1987 to February 2001 and served in China Building Materials Federation as the director of the office and the secretary-general from February 2001 to March 2009. Since March 2009 till present, Mr. Sun has been serving as the vice chairman of China Building Materials Federation. Mr. Sun also serves as the president of China Building Materials Market Association (中國建材市場協會). Mr. Sun graduated from Wuhan University of Technology (武漢工業大學) with a master's degree in engineering management in December 1995. Mr. Sun is currently a senior engineer.

YU Kaijun, aged 49, is the Chief Financial Officer of the Company. Mr. Yu worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu served as the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (深圳蘭光科技股份有限公司) (and its predecessor, Shenzhen Languang Electronic Industrial Corporation (深圳蘭光電子工業總公司)) from November 1990 to October 2001. Mr. Yu served as the chief financial officer of Sinoma International from December 2001 to January 2011. Mr. Yu has been a supervisor of Ningxia Building Materials and Tianshan Cement since December 2011. Mr. Yu graduated from the Hong Kong Polytechnic University in December 2006, majoring in accounting and obtained a master's degree in accounting. He is currently a senior accountant.

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

The Board is pleased to present the annual report for the year ended 31 December 2012, together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL BUSINESS

The Group is principally engaged in the cement equipment and engineering services, cement and high-tech materials businesses. Details of the businesses of the Company's principal subsidiaries are set out in note 59 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 and the financial information of the Group as at 31 December 2012 are set out in the audited financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2012 is set out as follows:

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

DIVIDEND

The Board recommends the distribution of final dividend of RMB0.03 per share (tax inclusive) in an aggregate amount of RMB107.14 million for the year ended 31 December 2012.

PUBLIC FLOAT

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

DIRECTORS AND SUPERVISORS

Certain information concerning the Directors and the Supervisors as at 31 December 2012 is set out below:

Name	Position	Gender	Age	Term
YU Shiliang	Chairman of the Board and Executive Director	Male	58	24 September 2012 – 5 February 2013
LI Xinhua	Executive Director	Male	48	26 July 2010 – 25 July 2013
	President			4 January 2011 – 25 July 2013
LIU Zhijiang	Non-executive Director	Male	55	26 July 2010 – 5 February 2013
ZHANG Hai	Non-executive Director	Male	54	12 July 2011 – 25 July 2013
TANG Baoqi	Non-executive Director	Male	53	12 July 2011 – 25 July 2013
LEUNG Chong Shun	Independent non-executive Director	Male	47	26 July 2010 – 25 July 2013
SHI Chungui	Independent non-executive Director	Male	72	26 July 2010 – 25 July 2013
LU Zhengfei	Independent non-executive Director	Male	49	26 July 2010 – 25 July 2013
WANG Shimin	Independent non-executive Director	Male	64	26 July 2010 – 25 July 2013
ZHOU Zude	Independent non-executive Director	Male	67	26 July 2010 – 25 July 2013
XU Weibing	Chairman of the Supervisory Committee	Female	53	26 July 2010 – 25 July 2013
ZHANG Renjie	Supervisor	Male	48	26 July 2010 – 25 July 2013
WANG Jianguo	Supervisor	Male	56	26 July 2010 – 25 July 2013
YU Xingmin	Supervisor	Male	57	26 July 2010 – 25 July 2013
QU Xiaoli	Supervisor	Male	42	26 July 2010 – 25 July 2013

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

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

Mr. YU Shiliang was re-designated as the executive Director of the Company and was appointed as the chairman of the Board of the Company on 24 September 2012. Please refer to the announcement of the Company dated 24 September 2012 for details.

On 5 February 2013, Mr. LIU Zhijiang was re-designated as the executive Director of the Company and was appointed as the chairman of the Board of the Company. Mr. LI Xinhua was appointed as the vice chairman of the Board of the Company. Mr. YU Shiliang was re-designated as the non-executive Director and ceased to serve as the chairman of the Board of the Company. Please refer to the announcement of the Company dated 5 February 2013 for details.

DISCLOSURE OF INTERESTS

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

As at 31 December 2012, Mr. ZHANG Hai, a non-executive Director of the Company, was interested in 42,000 shares of the Company.

Save as disclosed above, no other Director, Supervisor or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange.

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

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

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

As at 31 December 2012, so far as the Directors, Supervisors and the chief executive of the Company are aware, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of Interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation Ltd.	Domestic shares	N/A	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Co., Ltd.	Domestic shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	N/A	130,793,218	100.00%	3.66%
National Council for Social Security Fund	H Shares	Long position	94,253,115	8.10%	2.64%
Lazard Asset Management LLC	H Shares	Long position	91,550,964	7.86%	2.56%

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

Save as disclosed above, so far as the Directors, Supervisors and chief executive of the Company are aware, as at 31 December 2012, there was no other person having interests and/or short positions in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register referred to therein.

MAJOR CUSTOMERS AND SUPPLIERS

The consolidated turnover from the five largest customers of the Group accounted for less than 30% of the Group's total turnover in 2012.

The consolidated total purchases made by the Group from its five largest suppliers accounted for less than 30% of the Group's total purchases in 2012.

None of the Directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the share capital of the Company) have beneficial interests in the five largest customers or in the five largest suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2012, the addition of property, plant and equipment of the Group was approximately RMB9,129.43 million. Details of the movements are set out in note 21 to the financial statements.

RESERVES

Details of the movement of the Group's reserves during the year 2012 are set out in the "Consolidated Statement of Changes in Equity" of this report.

EMPLOYEES

As at 31 December 2012, the Group had 56,325 employees.

REMUNERATION POLICY

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

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

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

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

RETIREMENT PLAN OF EMPLOYEES

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

SHARE APPRECIATION RIGHTS SCHEME

To motivate and award the senior management team and other key members of the Company, the Company formulated the share appreciation rights scheme. Such scheme was considered and approved by the relevant administrative department of the Chinese government on 15 July 2010 and was approved at the second extraordinary general meeting of the Company held on 22 October 2010. A total of 4.13 million share appreciation rights were granted to 16 Directors and senior management members. On 22 December 2010, Mr. Zhou Yuxian, an executive Director, resigned and his 300,000 share appreciation rights granted under the share appreciation rights scheme were lapsed. On 2 September 2012, Mr. Tan Zhongming, the chairman of the Board, passed away and his 350,000 share appreciation rights granted under the share appreciation rights scheme were lapsed.

The lock-up period of the share appreciation rights expired on 22 October 2012. Pursuant to the share appreciation rights scheme, the 3,480,000 share appreciation rights granted to the remaining 14 Directors and senior management members will be vested to the incentive recipients in even proportion for each of the three years (2012-2014) subject to the results conditions upon the expiry of the lock-up period of the share appreciation rights. As the results that the Company in 2011 did not fulfill the vesting conditions as required under the share appreciation rights scheme, 1,160,000 share appreciation rights would not be vested to the remaining 14 Directors and senior management and became lapsed. The vesting of the remaining 2,320,000 share appreciation rights to the remaining 14 Directors and senior management is subject to the results of the Company.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATIONS

Details of the remunerations of the Directors, Supervisors and chief executive of the Company are set out in note 18 to the financial statements, the remunerations of other senior management of the Company fell within the following bands:

	2012 (person)
0 to RMB1,000,000	4
RMB1,000,001 to RMB1,500,000	7
RMB1,500,001 to RMB2,000,000	1
	12

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT

No Director or Supervisor of the Company had a material interest, either directly or indirectly, in any contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and was subsisting at the end of the year 2012 or at any time during the year 2012.

MANAGEMENT CONTRACT

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

CONNECTED TRANSACTIONS

1. Exempted Connected Transactions

1.1 Non-competition Agreement

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

For the year ended 31 December 2012, save as disclosed in the prospectus of the Company, no Director of the Company (including independent non-executive Directors) has made any decision to exercise the options.

For the year ended 31 December 2012, the Parent confirmed its compliance with the commitments stated in the non-competition agreement, and provided the independent non-executive Directors with all information required for the annual review and the execution of the non-competition agreement.

2. Non-exempted Connected Transactions

Major connected transactions of the Group during 2012 are as follows:

2.1. SCRI and Tianshan Cement made capital contribution to XJ Sinoma Chemical respectively

On 10 February 2012, SCRI and Tianshan Cement, being non-wholly owned subsidiaries of the Company, entered into the Capital Increase Agreement with XJ Jianhua Industry, Tianshan Group and XJ Sinoma Chemical, pursuant to which SCRI and Tianshan Cement agreed to make the capital contribution to XJ Sinoma Chemical in the amount of RMB10,200,000 and RMB4,800,000, respectively. The capital contribution was completed on 23 March 2012, and XJ Sinoma Chemical was therefore owned as to 59.5%, 19.425%, 16% and 5.075% by SCRI, XJ Jianhua Industry, Tianshan Cement and Tianshan Group, respectively.

Details of the transaction are set out in the announcement of the Company dated 10 February 2012 on the websites of the Hong Kong Stock Exchange and the Company.

XJ Sinoma Chemical is a non-wholly owned subsidiary of the Company, while XJ Jianhua Industry and Tianshan Group, being non-wholly owned subsidiaries of the Parent, held in aggregate 49% equity interest in XJ Sinoma Chemical before the capital increase. Therefore, XJ Sinoma Chemical is a connected person of the Company under the Listing Rules.

The Company is of the view that the Capital Increase Agreement will (i) further enhance the operating business of the Group in production of chemical composite products such as concrete admixtures in Xinjiang area; and (ii) generate higher return to the Group in future, should XJ Sinoma Chemical become more profitable in future.

2.2 Acquisition of 100% equity interest held by the Parent in NCDRI by Sinoma International, acquisition of 100% equity interest held by the Parent in Sinoma Asset Management by Sinoma Suzhou and acquisition of 100% equity interest held by the Parent in Sinoma Property Management by CBMI Construction

2.2.1 Acquisition of 100% equity interest held by the Parent in NCDRI by Sinoma International

On 28 February 2012, Sinoma International, a non-wholly owned subsidiary of the Company, entered into the NCDRI Equity Transfer Agreement with the Parent, pursuant to which Sinoma International agreed to acquire a 100% equity interest in NCDRI held by the Parent for a cash consideration of RMB125,569,800. The acquisition was completed on 27 March 2012, and NCDRI has therefore become a wholly-owned subsidiary of Sinoma International and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 28 February 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.2.2 Acquisition of 100% equity interest held by the Parent in Sinoma Asset Management by Sinoma Suzhou

On 28 February 2012, Sinoma Suzhou, a wholly-owned subsidiary of Sinoma International, entered into the Asset Management Equity Transfer Agreement with the Parent, pursuant to which Sinoma Suzhou agreed to acquire a 100% equity interest in Sinoma Asset Management held by the Parent for a cash consideration of RMB58,121,900. The acquisition was completed on 31 March 2012, and Sinoma Asset Management has therefore become a wholly-owned subsidiary of Sinoma Suzhou and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 28 February 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.2.3 Acquisition of 100% equity interest held by the Parent in Sinoma Property Management by CBMI Construction

On 28 February 2012, CBMI Construction, a wholly-owned subsidiary of Sinoma International, entered into the Property Management Equity Transfer Agreement with the Parent, pursuant to which CBMI Construction agreed to acquire a 100% equity interest in Sinoma Property Management held by the Parent for a cash consideration of RMB14,356,400. The acquisition was completed on 31 March 2012, and Sinoma Property Management has therefore become a wholly-owned subsidiary of CBMI Construction and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 28 February 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.3 Acquisition of 100% equity interest held by the Parent in TCDRI by Equipment Company, acquisition of 100% equity interest held by the Parent in CCDRI by Chengdu Company, acquisition of 100% equity interest held by the Parent in Handan Sinoma by Sinoma International and acquisition of 100% equity interest held by the Parent in Tianjin Engineering by Tianjin Mining

2.3.1 Acquisition of 100% equity interest held by the Parent in TCDRI by Equipment Company

On 16 July 2012, Equipment Company, a non-wholly owned subsidiary of the Company, entered into the TCDRI Equity Transfer Agreement with the Parent, pursuant to which Equipment Company agreed to acquire a 100% equity interest in TCDRI held by the Parent for a cash consideration of RMB132,268,400. The acquisition was completed on 22 February 2013, and TCDRI has therefore become a wholly-owned subsidiary of Equipment Company and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 16 July 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.3.2 Acquisition of 100% equity interest held by the Parent in CCDRI by Chengdu Company

On 16 July 2012, Chengdu Company, a non-wholly owned subsidiary of the Company, entered into the CCDRI Equity Transfer Agreement with the Parent, pursuant to which Chengdu Company agreed to acquire a 100% equity interest in CCDRI held by the Parent for a cash consideration of RMB55,574,100. As at the latest practicable date, the acquisition was in the process of the relevant change in the business registration.

Details of the transaction are set out in the announcement of the Company dated 16 July 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.3.3 Acquisition of 100% equity interest held by the Parent in Handan Sinoma by Sinoma International

On 16 July 2012, Sinoma International, a non-wholly owned subsidiary of the Company, entered into the Handan Sinoma Equity Transfer Agreement with the Parent, pursuant to which Sinoma International agreed to acquire a 100% equity interest in Handan Sinoma held by the Parent for a cash consideration of RMB47,083,500. The acquisition was completed on 21 February 2013, and Handan Sinoma has therefore become a wholly-owned subsidiary of Sinoma International and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 16 July 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

2.3.4 Acquisition of 100% equity interest held by the Parent in Tianjin Engineering by Tianjin Mining

On 16 July 2012, Tianjin Mining, a wholly-owned subsidiary of the Company, entered into the Tianjin Engineering Equity Transfer Agreement with the Parent, pursuant to which Tianjin Mining agreed to acquire a 100% equity interest in Tianjin Engineering held by the Parent for a cash consideration of RMB33,994,900. As at the latest practicable date, the acquisition was in the process of the relevant change in the business registration.

Details of the transaction are set out in the announcement of the Company dated 16 July 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

The Company is of the view that the acquisition will (i) integrate the assets of the Group and further enhance the operating business of the Group; (ii) reduce connected transactions and optimize the corporate governance structure; and (iii) generate higher return to the Group in future by way of acquisition of the relevant land use rights and property under the acquisitions.

3 Non-exempted Continuing Connected Transactions

The Group entered into certain non-exempted continuing connected transactions in 2012. The table below sets out the annual caps and the actual transaction amounts of such transactions:

		Expenditure		Revenue	
Connected Transactions		**Actual amount**	**Cap**	**Actual amount**	**Cap**
		RMB	*RMB*	*RMB*	*RMB*
Property Lease Framework Agreement	(1)	21,628,508	35,000,000	–	–
Mutual Supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Company and the Parent	(2)	158,215,317	200,000,000	41,310,606	50,000,000
Mutual Comprehensive Services Agreement between the Company and the Parent	(3)	215,545,586	240,000,000	7,582,225	60,000,000
Mutual Supply of Raw Materials and Products Agreement between the Company and the Parent	(4)	91,741,609	100,650,000	40,105,253	157,670,000
Framework Agreements for the BOOT Project, the CDM Project and the SEEG Sub-contract Project between the Company and Sinoma Energy Conservation	(5)	278,779,608	900,000,000	305,983	120,000,000

3.1 Property Lease Framework Agreement

In order to regulate the property lease arrangements between the Parent Group (other than the Group) and the Group, a property lease framework agreement was renewed between the Parent and the Company on 5 December 2011.

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

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

The term of the property lease framework agreement commenced from 1 January 2012 and ended on 31 December 2012. Details of the transaction are set out in the announcement of the Company dated 5 December 2011 on the websites of the Hong Kong Stock Exchange and the Company.

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

During the reporting period, the annual cap on the aggregate rentals payable by the Group to certain subsidiaries of the Parent for 2012 under the above property lease framework agreement was RMB35,000,000 and the actual total rental incurred was approximately RMB21,628,508.

On 12 October 2012, the Company renewed the property lease framework agreement with the Parent for a further three-year term commenced from 1 January 2013 and ending on 31 December 2015, while the other terms of the agreement remained unchanged. Upon expiry, the property lease framework agreement shall be renewed for a further term of three years, subject to the relevant disclosure requirements under the Listing Rules and mutual agreement of both parties. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

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

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

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

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

During the reporting period, a) the annual cap on revenue from the provision of equipment and parts for cement and concrete production to the Parent Group by the Group for 2012 was RMB50,000,000 and the actual revenue incurred was approximately RMB41,310,606; b) the annual cap on expenditure from the provision of certain cement production related equipment and parts and maintenance, repair and installation services to the Group by the Parent Group for 2012 was RMB200,000,000 and the actual expenditure incurred was approximately RMB158,215,317.

On 12 October 2012, the Company and the Parent entered into a mutual supply of products framework agreement, the term of which commenced from 1 January 2013 and ending on 31 December 2015. The purpose of the agreement is to regulate (including but not limited to) some transactions under the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

3.3 Mutual Comprehensive Services Agreement between the Company and the Parent

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

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

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

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

During the reporting period, a) the annual cap on revenue from the provision of comprehensive services to the Parent Group by the Group for 2012 was RMB60,000,000 and the actual revenue incurred was approximately RMB7,582,225; b) the annual cap on expenditure from the provision of comprehensive services to the Group by the Parent Group for 2012 was RMB240,000,000 and the actual expenditure incurred was approximately RMB215,545,586.

On 12 October 2012, the Company and the Parent entered into a mutual supply of services framework agreement, the term of which commenced from 1 January 2013 and ending on 31 December 2015. The purpose of the agreement is to regulate (including but not limited to) the transactions under the mutual comprehensive services agreement. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

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

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

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

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

During the reporting period, a) the annual cap on revenue from the provision of raw materials and products to the Parent Group by the Group for 2012 was RMB157,670,000, and the actual amount was approximately RMB40,105,253; b) the annual cap on expenditure incurred for the provision of raw materials and other products for cement production by the Parent Group to the Group for 2012 was RMB100,650,000, and the actual amount was approximately RMB91,741,609.

On 12 October 2012, the Company and the Parent entered into a mutual supply of products framework agreement, the term of which commenced from 1 January 2013 and ending on 31 December 2015. The purpose of the agreement is to regulate (including but not limited to) the transactions under the mutual supply of raw materials and products agreement. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

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

- SEEG BOOT Project

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

- SEEG CDM Project

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

- SEEG Sub-Contract Project

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

- Equipment and Parts Supply Project

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

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

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

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

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

During the reporting period, under the framework agreement for the BOOT project, the CDM project and the SEEG sub-contract project, a) the annual cap on revenues from transactions for 2012 was RMB120,000,000, and the actual revenue incurred was approximately RMB305,983; b) the annual cap on expenditure for the transactions for 2012 was RMB900,000,000, and the actual expenditure incurred was approximately RMB278,779,608.

On 12 October 2012, the mutual supply of services framework agreement is entered into between the Company and the Parent for a term commenced from 1 January 2013 and ending on 31 December 2015. The purpose of the agreement is to regulate (including but not limited to) the transactions under the framework agreement for the SEEG BOOT project, the SEEG CDM project and the SEEG sub-contract project. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

The Directors (including the Independent non-executive Directors) confirmed with the Board that they have reviewed the non-exempted continuing connected transactions under paragraphs 3.1 to 3.5 above and confirmed that such transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and (c) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

– The pricing of the continuing connected transactions involving provisions of goods and services by the Group, in all material respects, are in accordance with the pricing policies of the Company as disclosed in note 56 to the financial statements;

– The above continuing connected transactions, in all material respects, have been executed in accordance with the terms of the agreements governing such transactions; and

– The continuing connected transactions as disclosed in paragraphs 3.1 to 3.5 above did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

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

PRE-EMPTIVE RIGHT

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

TAXATION

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

MATERIAL LEGAL MATTERS

There were no material legal matters during the reporting period.

Sinoma E&E, a wholly owned subsidiary of Sinoma International (a subsidiary of the Company), filed civil actions to the court in respect of its contract disputes with Baotou Group and its five associate companies, and the court accepted the actions. The total value of the subject matter of the actions is RMB477,068,140.57.

Sinoma E&E submitted its application for property preservation to the court regarding the said actions and the court seized 539 sets of unsold properties of the associate companies of Baotou Group with a total area of 38,275.84 square meters and the land thereunder. The mediation agreements have now been reached between Sinoma E&E and Baotou Group and its five associate companies. Details of the case are set out in the announcement of the Company dated 22 January 2013 and 14 March 2013 on the websites of the Hong Kong Stock Exchange and the Company.

AUDITORS

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountant LLP have been appointed as the Hong Kong auditor and PRC auditor of the Company, respectively, for the year ended 31 December 2012. SHINEWING (HK) CPA Limited has audited the accompanying financial statements that are prepared in accordance with Hong Kong Financial Reporting Standards. These two auditors have been appointed since the date of annual report 2008.

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

During the reporting period, the Supervisory Committee has convened four meetings. At the eighth meeting of the second session of the Supervisory Committee held on 27 March 2012, the Company's 2011 annual report, the audited financial report, the annual profit distribution proposal and the Supervisory Committee's report were considered and approved. At the ninth meeting of the second session of the Supervisory Committee held on 27 April 2012, the 2012 first quarterly financial statements of the Company were considered and approved. At the tenth meeting of the second session of the Supervisory Committee held on 28 August 2012, the 2012 interim report of the Company was considered and approved. At the eleventh meeting of the second session of the Supervisory Committee held on 29 October 2012, the 2012 third quarterly financial statements of the Company were considered and approved. Mr. Wang Jianguo, a Supervisor, appointed Ms. Xu Weibing as his proxy to attend the eighth meeting and the tenth meeting of the second session of the Supervisory Committee on behalf of him. Mr. Zhang Renjie, a Supervisor, appointed Ms. Xu Weibing as his proxy to attend the eleventh meeting of the second session of the Supervisory Committee on behalf of him. All of the other Supervisors attended the aforesaid meetings of the Supervisory Committee. During the reporting period, members of the Supervisory Committee attended all the general meetings of the Company convened during the year and attended the Board meetings in person as non-voting participants during the year, and also reviewed the proposals which have been submitted to the Board for consideration. The Supervisors supervised the Company's major decision-making processes and the performance of duties by the Directors and the senior management by attending such meetings as non-voting participants.

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

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

The Supervisory Committee has duly reviewed the financial report for 2012 audited by the independent auditor with unqualified opinion, and considers that the report accurately, truly and fairly presented the financial position and the results of operations of the Company on a consistent basis.

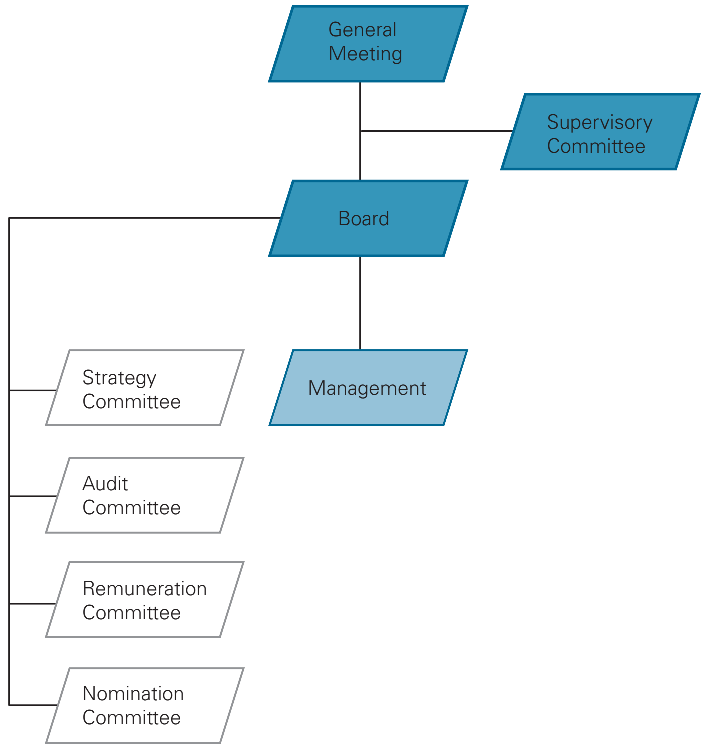
The Supervisory Committee confirms that the connected transactions between the Company and the Parent conducted during the reporting period were fair and reasonable and in the interests of the other shareholders and the Company as a whole. The Directors, president and other senior management of the Company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

The Supervisory Committee is confident about the development prospects of the Company. In 2013, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association of the Company and relevant requirements.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

Currently, the documents governing the corporate governance practices of the Company include but are not limited to the followings:

1. Articles of Association

2. Rules of Procedures for General Meetings

3. Rules of Procedures for the Board

4. Rules of Procedures for the Supervisory Committee

5. Rules of Procedures for the Strategy Committee

6. Rules of Procedures for the Audit Committee

7. Rules of Procedures for the Remuneration Committee

8. Rules of Procedures for the Nomination Committee

9. Working System for Independent Directors

10. Administrative System for Information Disclosure

11. Administrative System for Connected Transactions

12. Administrative System for Investor Relations

13. Rules of Internal Auditing

14. Internal Control Audit Method

15. Financial Management System

The amendments to the Rules of Procedures for the Board were approved at the general meeting of the Company on 15 May 2012, pursuant to which the Board shall perform the following duties and responsibilities on corporate governance: to formulate and review the policies and practices on corporate governance of the Company and make recommendations to the Board; to review and monitor the training and continuous professional developments of Directors and senior management; to review and monitor the Company's policies and practices on the compliance with laws and regulatory requirements; to formulate, review and monitor the code of conduct and compliance manuals (if any) applicable to employees and Directors; to review the Company's compliance with the codes and the disclosures in the corporate governance report; and to formulate the communication policies for shareholders and review the same on a regular basis to ensure its effectiveness.

During the reporting period, the Board reviewed and proposed to amend a series of corporate governance documents, including the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure for the Board, the Rules of Procedures for the Audit Committee, the Rules of Procedures for the Remuneration Committee and the Rules of Procedures for the Nomination Committee, and monitored the implementation of these documents from time to time; reviewed and keenly organised professional training and continuous professional development for the Directors and Senior Management; reviewed and monitored the Company whether there was any violation of laws and regulatory requirements; approved the Annual Corporate Governance Report for 2011, as well as the disclosures made on the website of Hong Kong Stock Exchange and the Company Website; formulated, reviewed and supervised shareholder' communication policies to ensure their effectiveness.

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

The code on corporate governance adopted by the Company is more stringent in the following aspects than the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report":

1. In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee, the Company has also established the Strategy Committee.

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

"CORPORATE GOVERNANCE CODE" AND "CORPORATE GOVERNANCE REPORT"

For the year ended 31 December 2012, the Company has fully complied with the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report" as well as the provisions set out in the Code of Corporate Governance Practices already invalid on 1 April 2012.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and requires that securities transactions by Directors and Supervisors be conducted in compliance with the Model Code, which is also applicable to the senior management of the Company. After the specific enquiries made by the Company, all Directors and Supervisors have confirmed that they had fully complied with the Model Code throughout the year of 2012.

BOARD OF DIRECTORS

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

Name	Position	Gender	Age	Term
LIU Zhijiang	Non-executive Director	Male	55	26 July 2010 to 5 February 2013
	Executive Director and Chairman of the Board			5 February 2013 to 25 July 2013
YU Shiliang	Non-executive Director	Male	58	26 July 2010 to 24 September 2012
				5 February 2013 to 25 July 2013
	Vice Chairman of the Board			20 May 2011 to 24 September 2012
	Executive Director and Chairman of the Board			24 September 2012 to 5 February 2013
LI Xinhua	Executive Director	Male	48	26 July 2010 to 25 July 2013
	Vice Chairman of the Board			5 February 2013 to 25 July 2013
	President			4 January 2011 to 25 July 2013
ZHANG Hai	Non-executive Director	Male	54	12 July 2011 to 25 July 2013
TANG Baoqi	Non-executive Director	Male	53	12 July 2011 to 25 July 2013
LEUNG Chong Shun	Independent Non-executive Director	Male	47	26 July 2010 to 25 July 2013
SHI Chungui	Independent Non-executive Director	Male	72	26 July 2010 to 25 July 2013
LU Zhengfei	Independent Non-executive Director	Male	49	26 July 2010 to 25 July 2013
WANG Shimin	Independent Non-executive Director	Male	64	26 July 2010 to 25 July 2013
ZHOU Zude	Independent Non-executive Director	Male	67	26 July 2010 to 25 July 2013

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

The Board mainly decides on the following matters:

- to formulate the Company's strategy and policy;
- to establish the management's target;
- to supervise the performance of the management; and
- to ensure the Company's implementation of a prudent and effective monitoring structure to assess and manage risks.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial status of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2012, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimates to prepare the financial statements on the basis of going concern. The Board is responsible for properly maintaining and reasonably and accurately disclosing at any time the accounting records of the financial information of the Company. The Board will convene meetings at least four times per year and whenever important decisions have to be made.

The Company's management comprises one president, several vice presidents and a CFO. The president is responsible to the Board and shall mainly perform the following functions:

(1) to be in charge of the production and business operation of the Company and to report to the Board;

(2) to organize the implementation of the resolutions of the Board;

(3) to organize the implementation of the annual business plan and investment program of the Company;

(4) to prepare plans for the Company's proposed annual financial budgets and final accounts, and to make recommendation to the Board;

(5) to prepare plans for the Company's reform, division, restructuring and dissolution of its wholly owned subsidiaries and non-wholly owned subsidiaries;

(6) to prepare plans for the establishment of the internal management structure of the Company;

(7) to prepare plans for the establishment of the branch bodies of the Company;

(8) to prepare the basic management systems of the Company;

(9) to formulate specific rules and regulations of the Company;

(10) to propose the appointment or dismissal of the vice president(s) and the CFO of the Company to the Board;

(11) to appoint or dismiss principal management personnel other than those required to be appointed or dismissed by the Board;

(12) to prepare plans for the salaries, welfares and rewards and penalty for the staff of the Company, and to make decisions on the appointment or dismissal of the Company's staff;

(13) to propose to convene an extraordinary Board meeting in the event of emergency;

(14) to decide on the establishment of branch bodies and representative offices of the Company's wholly owned subsidiaries and non-wholly owned subsidiaries;

(15) to decide on matters relating to the Company's investment, finance, contracts or transaction within the scope authorized by the Board; and

(16) Other functions and powers conferred by the Articles of Association and the Board.

During the reporting period and as at the latest practicable date, Mr. TAN Zhongming (from 1 January 2012 to 2 September 2012), Mr. YU Shiliang (from 24 September 2012 to 5 February 2013) and Mr. LIU Zhijiang (from 5 February 2013 to 25 July 2013) served as chairmen of the Board, Mr. LI Xinhua served as the president. Chairman of the Board and president are two different positions which are clearly delineated. The chairman of the Board shall not concurrently serve as the president of the Company. The responsibilities between the chairman of the Board and the president shall be clearly separated and defined in written form. The chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association sets out in detail the respective responsibilities of the chairman of the Board and the president. Senior management of the Company, other than the Directors and the Supervisors, is responsible for the daily business operation of the Company. Their duties are set out in the section of "Biography of Directors, Supervisors and Senior Management" in this annual report.

All Directors are required to declare any direct or indirect interest involved in any matter or transaction to be considered at Board meetings, and interested Directors shall abstain from the meeting when appropriate. Directors are required by the Company to provide details in relation to any connected transactions that they or their respective associates entered into with the Company or its subsidiaries for each financial period and make confirmations regarding the same.

A total of eleven Board meetings were convened during 2012. The individual members' attendance rate of Board meetings is as follows:

Directors	**Number of Attendance**	**Number of Attendance by proxy**	**Attendance Rate**
TAN Zhongming	8	0	100%
LIU Zhijiang	11	0	100%
YU Shiliang	11	0	100%
LI Xinhua	11	0	100%
ZHANG Hai	11	0	100%
TANG Baoqi	11	0	100%
LEUNG Chong Shun	11	0	100%
SHI Chungui	11	0	100%
LU Zhengfei	11	0	100%
WANG Shimin	11	0	100%
ZHOU Zude	11	0	100%

Note:

Mr. TAN Zhongming passed away on 2 September 2012. During his term of office, Mr. TAN attended all the eight meetings of the Board in person.

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

A total of three general meetings were convened during 2012. The attendance rate of the Directors is as follows:

Directors	**Number of Attendance**	**Attendance Rate**
TAN Zhongming	1	100%
LIU Zhijiang	3	100%
YU Shiliang	3	100%
LI Xinhua	3	100%
ZHANG Hai	3	100%
TANG Baoqi	3	100%
LEUNG Chong Shun	3	100%
SHI Chungui	3	100%
LU Zhengfei	3	100%
WANG Shimin	3	100%
ZHOU Zude	3	100%

Note:

Mr. TAN Zhongming passed away on 2 September 2012. During his term of office, Mr. TAN attended all the one general meeting in person.

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

Each of the independent non-executive Directors shall have a term of office of three years and is eligible for re-election and re-appointment. Independent non-executive Directors who intend to continue to be appointed after holding office for nine consecutive years are subject to the verification of independence. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Director.

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

During the reporting period, all Directors proactively participated in continuous professional training including the professional training provided by the Company and developed and updated their knowledge and skills in a move to ensure that their contribution to the Board remained informed and relevant.

Other than their service contracts, the Directors and the Supervisors do not have any direct or indirect personal effective interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2012.

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

STRATEGY COMMITTEE

The composition of the Strategy Committee during the reporting period and as at the latest practicable date is set out below:

	Chairman	Member
1 January 2012 to 2 September 2012	TAN Zhongmin	YU Shiliang, LIU Zhijiang, LI Xinhua, ZHOU Zude
2 September 2012 to 24 September 2012		YU Shiliang, LIU Zhijiang, LI Xinhua, ZHOU Zude
24 September 2012 to 5 February 2013	YU Shiliang	LIU Zhijiang, LI Xinhua, ZHOU Zude
5 February 2013 to 25 July 2013	LIU Zhijiang	YU Shiliang, LI Xinhua, ZHOU Zude

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

During the reporting period, the Strategy Committee convened one meeting. All the members of the committee attended the meeting except Mr. LIU Zhijiang who authorised Mr. TAN Zhongming to attend the meeting and exercise the voting rights on his behalf. At the second meeting of the second session of the Strategy Committee, the Work Report of the President of China National Materials Company Limited for 2011 was approved and the financial budget (draft) and investment budget (draft) of the Company for 2012 was considered and then submitted to the twentieth meeting of the second session of the Board for approval.

AUDIT COMMITTEE

The composition of the Audit Committee during the reporting period and as at the latest practicable date is set out below:

	Chairman	Member
1 January 2012 to 5 February 2013	LU Zhengfei	WANG Shimin, LIU Zhijiang
5 February 2013 to 25 July 2013	LU Zhengfei	WANG Shimin, YU Shiliang

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

From the date of the Company's listing on the Hong Kong Stock Exchange and up to 31 December 2012, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

Pursuant to the requirements of the Rules of Procedures of the Audit Committee, a total of six meetings were held for the year. At the eighth meeting of the second session of the Audit Committee held on 18 January 2012, the audit plan for the 2011 financial report prepared by SHINEWING (HK) CPA Limited was considered. At the ninth meeting of the second session of the Audit Committee held on 26 March 2012, the resolution regarding the submission of the 2011 audited financial report to the Board and the resolution regarding the appointment of ShineWing Certified Public Accountant LLP and SHINEWING (HK) CPA Limited as the PRC and international auditor respectively for 2012 were considered. At the tenth meeting of the second session of the Audit Committee held on 26 April 2012, the resolution regarding the submission of the 2012 Q1 financial report to the Board was considered. At the eleventh meeting of the second session of the Audit Committee held on 22 August 2012, the resolution regarding the submission of the 2012 interim financial report to the Board was considered. At the twelfth meeting of the second session of the Audit Committee held on 26 October 2012, the resolution regarding the submission of the 2012 Q3 financial report to the Board was considered. All the three members attended the above meetings.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee during the reporting period and as at the latest practicable date is set out below:

	Chairman	Member
1 January 2012 to 25 July 2013	SHI Chungui	LEUNG Chong Shun, LU Zhengfei

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

During the reporting period, the third meeting of the second session of the Remuneration Committee was held on 15 March 2012, and all the members of the committee attended the meeting. At the meeting, (1) the resolution regarding the payment proposal on performance-linked remuneration for the Company's senior management for the year 2011 was heard and considered; and (2) the resolution regarding the remuneration proposal for the Company's senior management for the year 2012 was heard and considered.

NOMINATION COMMITTEE

The composition of the Nomination Committee during the reporting period and as at the latest practicable date is set out below:

	Chairman	**Member**
1 January 2012 to 27 March 2012	YU Shiliang	TAN Zhongming, LIU Zhijiang, LI Xinhua
27 March 2012 to 2 September 2012	TAN Zhongming	SHI Chungui, ZHOU Zude
2 September 2012 to 24 September 2012		SHI Chungui, ZHOU Zude
24 September 2012 to 5 February 2013	YU Shiliang	SHI Chungui, ZHOU Zude
5 February 2013 to 25 July 2013	LIU Zhijiang	SHI Chungui, ZHOU Zude

The Nomination Committee is mainly responsible for reviewing the structure, numbers and composition of the Board and making recommendations to the Board in relation to any changes; formulating the standards, procedures and methods for screening candidates for Directors and senior management of the Company and its invested enterprises and making recommendations to the Board; and making recommendations to the Board in respect of the candidates for Directors and Supervisors who are not employee representatives in the wholly-owned companies, holding companies and associated companies of the Company.

During the reporting period, the Nomination Committee held one meeting. At the seventh meeting of the second session of the Nomination Committee held on 23 May 2012, Mr. SUN Tieshi was recommended to serve as the vice president of the Company. All the members of the Nomination Committee attended the meeting.

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

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants LLP were respectively appointed as the Hong Kong auditor and the PRC auditor of the Company for 2012, respectively, and their remuneration was determined by the Audit Committee of the Board. The auditors' remuneration for their provision of audit services for 2012 amounted to RMB9.5 million. For provision of internal control audit services to the subsidiaries of the Company for 2012 as required by the domestic regulatory rules, the auditors' remuneration amounted to RMB1.59 million. Apart from such fee, the Group did not incur any non-audit fees.

SHAREHOLDERS' RIGHT

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

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

According to the Articles of Association, when shareholder(s) alone or in aggregate holding 10% or more of the Company's outstanding voting shares request in writing to convene an extraordinary general meeting (the number of shares held is determined on the day on which the shareholder lodges his/her demand in writing), the extraordinary general meeting shall be convened within two months. The relevant documents shall state clearly the purpose of such meeting and shall be served to all the shareholders. Shareholders may suggest to the Board with the procedure for enquiry and propose such procedure in a general meeting. The contact information of the Company is set out in the section headed "Corporate Information".

INTERNAL CONTROL SYSTEM

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

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

During the reporting period, the steel trade industry in which Sinoma E&E, a wholly-owned subsidiary of Sinoma International (a subsidiary of the Company), operated was dampened by the economic environment and industry crisis. Sinoma E&E failed to take prompt response to the crisis, lacked sufficient estimation for the credibility deficiency of certain counterparties and was not able to implement comprehensive supervision over the inventories kept by third parties, which gave rise to dispute over certain goods and notes. Sinoma E&E have actively taken necessary actions (including legal means) to protect its interests and mediation agreements had been reached.

Save as disclosed above, no other internal control defect was identified within the Company and its subsidiaries.

REVIEW FOR THE YEAR

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

During the reporting period, the Company made solid progress in establishing its all-round risk management and internal control systems based on the Basic Standards for Enterprise Internal Control. The five A Share public companies under the control of the Company have all established and implemented rather perfect risk management and internal control systems. The Company systematically rationalised the current management system and business process, and compiled the Handbook for All-round Risk Management and Internal Control. The Company further enhanced the role of auditing in strengthening risk management and internal control, and perfected the risk management and internal control systems, in accordance with the requirements of the Audit Guidelines for Enterprise Internal Control.

INTERNAL AUDIT UNIT

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

During the reporting period, with the audit system focusing on risk management, the Company carried out comprehensive auditing and highlighted the key points to provide valuable audit results which the Company actively made use of to facilitate the improvement of the internal control and risk management system of the Group.

Firstly, the Company has stepped up its efforts in the establishment of a new vertical internal audit management system to facilitate the transformation of the internal audit system from decentralized management to centralized management, to achieve synergy effects and to give full play to internal audit.

Secondly, the Company has pushed ahead the audit of economic responsibilities and carried out audit of economic responsibilities covering units at all levels pursuant to the overall objective of "Comprehensive enhancement, key points highlighting, sound system and standardized management", strengthening the audit for "Three Important and One Large", account receivables, inventories, the process of material procurement and the counterbalance of major positions.

Thirdly, the Company has extensively launched "Equal-Level Audit". It conducted audit on key positions that involve substantial amount of capital income and expense, including major positions in charge of the payment procedures of administrative expenses and selling expenses, major positions in charge of the payment procedures of material production, infrastructure materials and fixed assets purchase, major positions responsible for the collection of bank payment, and bank tellers.

Fourthly, combining the management difficulties and hot topics, the Company has strengthened project specific audit in a "broadening sources of income and economizing on expenditure" manner. Through audit, the Company draw lessons from the experience of broadening sources of income and economizing on expenditure and formulated measures including stepping up its efforts on research on and renovation of technology, refining the standards for maintenance and increasing the frequency of equipment maintenance and stepping up on the management of the operation of equipment by staff with a view to enhancing the operating rate of equipment and reduce the unit cost of products.

Investor Relations and Communication with Shareholders

During the reporting period, the Company communicated with its investors and shareholders in a pro-active, honest and open manner through a number of official channels including holding shareholders' general meetings, results announcement meetings, and in-house visits for investors with a view to ensuring fair disclosure of the Group's performance and business and making comprehensive and transparent reports.

Shareholders' general meetings not only make decisions on major matters of the Company, but also provide direct communication channels among the Directors, the management and the shareholders. Therefore, the Company highly values shareholders' general meetings and sends notices of such meetings 45 days prior to the meetings which set out the procedures for voting by poll and the rights of shareholders to demand to vote by poll in accordance with the Listing Rules. During the reporting period, the Company held three shareholders' general meetings at which major matters of the Company were considered, such as profit distribution, issue of the short-term financing bonds and connected transactions etc.

The Company highly values investor relations and has set up a special telephone number and electronic mail box for investors. During the year, the Company received over 500 visits from investment organizations, participated in five large investor summits organized by UBS, Shenyin Wanguo, CLSA, Merrill Lynch, Citigroup etc.; and ran two non-deal road shows. Through communication with the investors, the Company enables investors to have a full understanding of its various financial and operating information and its latest development timely.

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

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

ARTICLES OF ASSOCIATION

During the reporting period, the following changes have been made to the Articles of Association of the Company with the approval from the Company's general meeting held on 15 May 2012:

1. Paragraph 1 of Article 1 has been amended as follows:

   "China National Materials Co., Ltd. (hereinafter referred to as the "Company") is a joint stock limited company established in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law"), the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies, Mandatory Provisions for the Articles of Association of the Company to be Listed Overseas (hereinafter referred to as the "Mandatory Provisions"), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereafter referred to as the "Main Board Listing Rules") and other relevant laws and administrative regulations of the PRC."

2. Article 17 has been amended as follows:

"Upon the establishment of the Company, as approved by the securities regulatory authority of the State Council, the Company is to issue 1,071,464,000 overseas listed foreign invested shares (including an over-allotment of 139,756,000 overseas listed foreign invested shares). Pursuant to the relevant regulations of the State Council, the state-owned shareholders of the Company shall at the same time transfer their 92,684,115 shares to the National Council for Social Security Fund.

Upon the completion of the offering, the structure of the Company's share capital is as follows: 1,494,416,985 shares are held by China National Materials Group Corporation, representing 41.84%; 309,786,095 shares are held by Taian State-owned Assets Management Co., Ltd., representing 8.67%; 319,788,108 shares are held by China Cinda Asset Management Corporation, representing 8.96%; 130,793,218 shares are held by Well Kent International Holdings Company Limited, representing 3.66%; 64,329,980 shares are held by Xinjiang Tianshan Building Materials (Group) Company Limited, representing 1.80%; 62,439,074 shares are held by BBMG Group Co., Ltd, representing 1.75%; 25,762,425 shares are held by Zibo New & Hi-Tech Venture Capital Co., Ltd., representing 0.72%; 1,164,148,115 shares are held by shareholders of overseas-listed foreign invested shares, representing 32.60%."

3. Article 20 has been amended as follows:

"The registered capital of the Company was RMB 2,500,000,000 upon establishment. The Company completed its over-allotment of overseas-listed foreign invested shares in January 2008 and completed its changes in registration with industrial and commercial authorities in August 2008 with the changed registered capital of RMB 3,571,464,000".

4. Paragraph 2 of Article 25 has been amended as follows:

"The Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of registered capital has been passed and shall publish a notice to that effect in a newspaper within 30 days thereof. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within 45 days from the date the notice is published, have the right to require the Company to repay the debt or to provide corresponding guarantees for the debt."

5. Paragraph 3 of Article 60 has been amended as follows:

"The announcement referred to in the preceding paragraph shall be published 45 days to 50 days prior to the date of the meeting in one or several newspapers designated by the securities regulatory authorities of the State Council. Once the announcement has been made, all holders of domestic invested shares shall be deemed to have received the notice of the shareholders' meeting. Such announcement shall be published on the same day in Chinese and English separately on the Hong Kong Stock Exchange and the website of the Company or in the ways designated by the Hong Kong Stock Exchange from time to time."

6. Article 98(10) has been amended as follows:

"to determine reform, division, reorganization or dissolution proposals for wholly-owned subsidiaries or non-wholly owned subsidiaries of the Company".

7. Paragraph 1 of Article 101 has been amended as follows:

"The chairman of the Board of Directors shall exercise the following functions and powers:

(1) to preside over the shareholders' general meetings and to convene and preside over the meetings of the Board of Directors;

(2) to review the implementation of the resolutions of the Board of Directors;

(3) to sign securities certificates issued by the Company;

(4) to organize and formulate all systems of the operation of the Board of Directors and to coordinate the operation of the Board of Directors;

(5) to ensure that the Company formulates sound corporate management regulations and procedures;

(6) to sign important legally binding documents on behalf of the Company;

(7) to propose the list of the vice chairman, president and the secretary to the Board of Directors of the Company;

(8) to supervise and examine the work of the specialized committee(s);

(9) to listen to regular or irregular reports from senior officers of the Company and provide guiding opinions on the execution of resolutions given by the Board of Directors;

(10) to convene a meeting with non-executive directors (including independent non-executive directors) without executive directors attending the meeting at least once per annum;

(11) in any emergent force majeure events or seriously urgent situations, and in the emergent situation that it is unable to convene the Board of Directors in time, to exercise his special right of disposition in accordance with the laws and in the interests of the Company, and report to the Board of Directors and the shareholders' general meeting of the Company thereafter;

(12) to exercise other functions and powers conferred by law, regulations, Main Board Listing Rules, the Articles of Association and the resolution of the Board of Directors."

8. Paragraph 1 of Article 102 has been amended as follows:

"Meetings of the Board of Directors shall be held at least twice per annum. Meetings of the Board of Directors shall be convened by the chairman."

9. Article 114(5) has been amended as follows:

"to prepare plans for the Company's conversion, division, restructuring and dissolution of its wholly owned subsidiaries and non-wholly owned subsidiaries;"

10. Article 115(2) has been amended as follows:

"any finance of amount not more than 20% of the Company's latest audited net asset value for a single banking credit facility of the Company's own, any finance of amount not more than 10% of the Company's latest audited net asset value for a single banking loan of the Company;"

11. Paragraphs 3 and 4 of Article 145 have been amended as follows:

"Unless otherwise provided by laws, regulations or the listing rules of the place where the Company's stocks are listed, the financial report of the Company shall be prepared not only in accordance with the PRC accounting standards and laws and regulations, and/or in accordance with international accounting standards or the accounting standards of the place outside the People's Republic of China where the shares of the Company are listed.

If there are any material discrepancies in the financial reports prepared in accordance with the two accounting standards, such discrepancies shall be expressly stated in the notes of the financial report. For the purpose of the distribution of profits after taxation of the Company for the relevant accounting year, the lesser amount of profit after taxation stated in the said two financial reports shall prevail."

12. Article 149 has been amended as follows:

"The Company shall announce financial reports twice in each accounting year. The interim report shall be announced within three months after the first six months of an accounting year and the annual financial report shall be announced within four months after the end of the accounting year."

13. Paragraph 2 of Article 171 has been amended as follows:

"In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and assets lists. The Company shall notify its creditors within a period of 10 days commencing from the date on which the resolutions approving the merger are passed and, within 30 days, make newspapers announcements of the merger."

14. Paragraph 2 of Article 172 has been amended as follows:

"When the Company is divided, the Company shall prepare a balance sheet and assets list. The Company shall notify its creditors within a period of 10 days commencing from the date on which the division resolution is passed and, within 30 days, make newspaper announcements of the division."

15. Paragraph 1 of Article 178 has been amended as follows:

"The liquidation committee shall notify the creditors within 10 days of its establishment and announce the same in the newspapers within 60 days."

For details, please refer to the circular published by the Company on 30 March 2012 on the websites of the Company and the Hong Kong Stock Exchange.

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of China National Materials Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 244, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

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

Hong Kong
25 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Turnover	8	**46,272,564**	50,718,588
Cost of sales		**(37,921,532)**	(39,911,850)
Gross profit		**8,351,032**	10,806,738
Interest income	10	**169,447**	161,902
Other gains	11	**1,367,117**	885,210
Selling and marketing expenses		**(1,563,025)**	(1,427,096)
Administrative expenses		**(4,532,455)**	(4,092,369)
Exchange gain (loss)	12	**1,687**	(55,750)
Other expenses	13	**(31,434)**	(86,674)
Finance costs	14	**(1,692,448)**	(1,437,426)
Share of results of associates		**7,365**	129,737
Profit before tax		**2,077,286**	4,884,272
Income tax expense	15	**(510,965)**	(919,771)
Profit for the year	16	**1,566,321**	3,964,501
Profit for the year attributable to:			
Owners of the Company		**473,849**	1,462,574
Non-controlling interests		**1,092,472**	2,501,927
		1,566,321	3,964,501
Earnings per share – basic and diluted (expressed in RMB per share)	20	**0.133**	0.410

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**1,566,321**	3,964,501
Other comprehensive income (expenses)		
Safety fund set aside	**125,077**	74,601
Utilisation of safety fund	**(58,973)**	(54,817)
Exchange differences arising on translation	**(13,474)**	(38,788)
Loss on fair value changes of available-for-sale financial assets	**(59,790)**	(228,884)
Income tax relating to fair value changes of available-for-sale financial assets	**16,245**	47,912
Other comprehensive income (expenses) for the year (net of tax)	**9,085**	(199,976)
Total comprehensive income for the year	**1,575,406**	3,764,525
Total comprehensive income attributable to:		
Owners of the Company	**445,242**	1,330,778
Non-controlling interests	**1,130,164**	2,433,747
	1,575,406	3,764,525

As at 31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	21	**41,293,265**	34,223,827	28,023,123
Prepaid lease payments	22	**3,422,727**	3,144,591	2,976,335
Investment properties	23	**173,315**	184,564	202,097
Intangible assets	24	**766,989**	531,809	619,620
Mining rights	26	**483,087**	477,166	440,015
Interests in associates	28	**1,393,906**	1,266,810	1,137,847
Available-for-sale financial assets	29	**2,282,625**	2,346,251	2,578,763
Deposits paid for acquisition of subsidiaries	31	**–**	101,400	–
Trade and other receivables	33	**84,132**	75,846	72,170
Other non-current assets		**252,728**	237,789	193,915
Deferred income tax assets	47	**703,693**	594,406	447,652
		50,856,467	43,184,459	36,691,537
Current assets				
Inventories	32	**8,431,498**	8,157,322	5,361,260
Trade and other receivables	33	**16,643,966**	15,688,583	10,443,336
Amounts due from customers for contract work	34	**562,674**	341,073	183,628
Prepaid lease payments	22	**118,871**	100,391	90,773
Derivative financial instruments	30	**4,708**	3,165	34,464
Other current assets		**70,287**	35,180	30,146
Restricted bank balances	35	**1,969,306**	1,919,043	1,257,740
Bank balances and cash	36	**9,186,640**	10,200,238	13,293,129
		36,987,950	36,444,995	30,694,476
Assets classified as held for sale	37	**–**	117,426	–
		36,987,950	36,562,421	30,694,476
Current liabilities				
Trade and other payables	38	**24,942,656**	22,746,524	20,821,973
Dividend payable		**7,936**	2,498	–
Amounts due to customers for contract work	34	**292,648**	131,295	440,889
Derivative financial instruments	30	**657**	138	–
Income tax liabilities		**432,634**	606,013	554,996
Short-term financing bills	39	**400,000**	800,000	400,000
Borrowings	40	**15,868,543**	13,610,404	8,178,189
Early retirement and supplemental benefit obligations	41	**49,114**	44,525	34,532
Provisions	43	**48,724**	41,398	35,104
		42,042,912	37,982,795	30,465,683
Liabilities classified as held for sale	37	**–**	12,038	–
		42,042,912	37,994,833	30,465,683
Net current (liabilities) assets		**(5,054,962)**	(1,432,412)	228,793
Total assets less current liabilities		**45,801,505**	41,752,047	36,920,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
Non-current liabilities				
Trade and other payables	38	**4,645**	4,120	1,197
Derivative financial instruments	30	**–**	775	3,415
Corporate bonds	44	**2,490,239**	2,487,829	2,485,545
Medium-term notes	45	**5,253,610**	4,352,670	1,700,000
Borrowings	40	**9,280,599**	9,641,003	10,543,743
Provisions	43	**44,788**	44,874	31,874
Deferred income	46	**688,903**	446,482	283,274
Early retirement and supplemental benefit obligations	41	**285,239**	301,494	317,908
Deferred income tax liabilities	47	**678,476**	689,741	749,569
		18,726,499	17,968,988	16,116,525
NET ASSETS		**27,075,006**	23,783,059	20,803,805
Capital and reserves				
Share capital	48	**3,571,464**	3,571,464	3,571,464
Reserves	49	**7,688,309**	7,406,541	6,367,703
Equity attributable to owners of the Company		**11,259,773**	10,978,005	9,939,167
Non-controlling interests		**15,815,233**	12,805,054	10,864,638
TOTAL EQUITY		**27,075,006**	23,783,059	20,803,805

The consolidated financial statements on pages 71 to 244 were approved and authorised for issuance by the board of directors on 25 March 2013 and are signed on its behalf by:

LIU Zhijiang
Director

LI Xinhua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Safety fund *RMB'000* *(Note (i))*	Foreign exchange reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note (ii))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2011, as originally reported	3,571,464	3,273,160	(841,139)	52,693	70,623	274	1,390,727	(112,294)	2,382,530	9,788,038	10,864,638	20,652,676
Effect of adopting merger accounting for common control combination	–	–	105,327	–	–	–	–	48,435	(2,633)	151,129	–	151,129
At 1 January 2011, as restated	3,571,464	3,273,160	(735,812)	52,693	70,623	274	1,390,727	(63,859)	2,379,897	9,939,167	10,864,638	20,803,805
Profit for the year	–	–	–	–	–	–	–	–	1,462,574	1,462,574	2,501,927	3,964,501
Other comprehensive income (expenses)												
Safety fund set aside	–	–	–	–	54,437	–	–	–	–	54,437	20,164	74,601
Utilisation of safety fund	–	–	–	–	(38,394)	–	–	–	–	(38,394)	(16,423)	(54,817)
Exchange differences arising on translation	–	–	–	–	–	(12,797)	–	–	–	(12,797)	(25,991)	(38,788)
Fair value changes of available-for-sale financial assets	–	–	–	–	–	–	(174,849)	–	–	(174,849)	(54,035)	(228,884)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	–	–	–	39,807	–	–	39,807	8,105	47,912
Total comprehensive income (expenses) for the year	–	–	–	–	16,043	(12,797)	(135,042)	–	1,462,574	1,330,778	2,433,747	3,764,525
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(609,745)	(609,745)
Contributions received from non-controlling interests	–	–	–	–	–	–	–	–	–	–	39,410	39,410
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	17,284	17,284
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11,012)	(11,012)
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	(678)	(678)
Internal group re-organisation *(Note (iv))*	–	–	–	–	–	–	–	(79,705)	–	(79,705)	79,705	–
Transactions with non-controlling interests *(Note (vi))*	–	–	–	–	–	–	–	(18,489)	–	(18,489)	(8,295)	(26,784)
Government contributions *(Note (iii))*	–	–	–	–	–	–	–	93,160	–	93,160	–	93,160
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(142,859)	(142,859)	–	(142,859)
Merger reserves arising from common control combination	–	–	(144,047)	–	–	–	–	–	–	(144,047)	–	(144,047)
Appropriation to statutory surplus reserve	–	–	–	23,135	–	–	–	–	(23,135)	–	–	–
Capitalisation of reserve *(Note vii)*	–	–	2,935	–	–	–	–	(2,935)	–	–	–	–
At 31 December 2011, as restated	3,571,464	3,273,160	(876,924)	75,828	86,666	(12,523)	1,255,685	(71,828)	3,676,477	10,978,005	12,805,054	23,783,059

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Safety fund	Foreign exchange reserve	Investment revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*	*RMB'000*	*RMB'000* *(Note (ii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012, as restated	**3,571,464**	**3,273,160**	**(876,924)**	**75,828**	**86,666**	**(12,523)**	**1,255,685**	**(71,828)**	**3,676,477**	**10,978,005**	**12,805,054**	**23,783,059**
Profit for the year	-	-	-	-	-	-	-	-	473,849	473,849	1,092,472	1,566,321
Other comprehensive income (expenses)												
Safety fund set aside	-	-	-	-	77,666	-	-	-	-	77,666	47,411	125,077
Utilisation of safety fund	-	-	-	-	(49,951)	-	-	-	-	(49,951)	(9,022)	(58,973)
Exchange differences arising on translation	-	-	-	-	-	(5,663)	-	-	-	(5,663)	(7,811)	(13,474)
Fair value changes of available-for-sale financial assets	-	-	-	-	-	-	(68,160)	-	-	(68,160)	8,370	(59,790)
Income tax relating to fair value changes of available-for-sale financial assets	-	-	-	-	-	-	17,501	-	-	17,501	(1,256)	16,245
Total comprehensive income (expenses) for the year	-	-	-	-	27,715	(5,663)	(50,659)	-	473,849	445,242	1,130,164	1,575,406
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(730,668)	(730,668)
Contributions received from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,404,024	2,404,024
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	105,235	105,235
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(33,224)	(33,224)
Transactions with non-controlling interests *(Note (v))*	-	-	-	-	-	-	-	208,150	-	208,150	134,648	342,798
Government contributions *(Note (iii))*	-	-	-	-	-	-	-	40,712	-	40,712	-	40,712
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(214,288)	(214,288)	-	(214,288)
Merger reserves arising from common control combination	-	-	(198,048)	-	-	-	-	-	-	(198,048)	-	(198,048)
Appropriation to statutory surplus reserve	-	-	-	45,802	-	-	-	-	(45,802)	-	-	-
At 31 December 2012	**3,571,464**	**3,273,160**	**(1,074,972)**	**121,630**	**114,381**	**(18,186)**	**1,205,026**	**177,034**	**3,890,236**	**11,259,773**	**15,815,233**	**27,075,006**

Notes:

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

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

(iii) During the year ended 31 December 2012, national funds of RMB40,712,000 (2011: RMB93,160,000) are contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

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

(iv) Balance represented the difference between the Group's share of net assets in two subsidiaries of the Company, Ningxia Saima Industry Co., Ltd. ("Ningxia Saima") and Ningxia Building Materials Group Company Ltd. ("Ningxia Building Materials") before and after the internal reorganisation. On 9 November 2011, Ningxia Saima entered into an agreement to increase share capital by of 113,775,543 number of shares and merge with Ningxia Building Materials. Upon completion of the merger shares of Ningxia Saima held by Ningxia Building Materials were cancelled and the number of shares of Ningxia Saima increased from 195,133,874 to 239,159,417. The Company became the immediate holding company of Ningxia Saima after the merger and the Group's effective equity interests in Ningxia Saima increased from 35.74% to 47.57%.

Details of which are set out in the Company's announcement dated 23 December 2011.

(v) During the year ended 31 December 2012, the Group received RMB342,798,000 to dispose of certain equity interests in non wholly owned subsidiaries with a carrying amount of non-controlling interests prior to disposal of the equity interests of RMB134,648,000.

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

(vii) During the year ended 31 December 2011, prior to the effective date of combination of the subsidiaries under common control (Note 51), other reserves of RMB2,935,000 were converted into paid-in capital of these subsidiaries under common control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**2,077,286**	4,884,272
Adjustments for:		
Allowance for inventories	**81,630**	78,537
Amortisation of intangible assets	**36,775**	13,859
Amortisation of mining rights	**43,463**	31,085
Amortisation of prepaid lease payments	**111,322**	96,665
Depreciation of property, plant and equipment	**2,603,652**	2,211,128
Depreciation of investment properties	**11,249**	11,540
Dividend income on available-for-sale financial assets	**(20,727)**	(24,783)
Gain on a bargain purchase	**(1,619)**	–
Gain on debts restructuring	**(14,959)**	(1,971)
Finance costs	**1,692,448**	1,437,426
Foreseeable losses on construction contracts	**55,298**	123,426
Government grants	**(191,180)**	(168,773)
Impairment loss recognised in respect of property, plant and equipment	**24,897**	141,563
Impairment loss recognised in respect of intangible assets	**–**	114,352
Impairment loss recognised in respect of trade receivables	**334,553**	248,603
Impairment loss recognised in respect of prepayments to suppliers and subcontractors and other receivables	**329,341**	31,188
Impairment loss recognised in respect of loan receivables	**4,573**	6,201
Impairment loss recognised in respect of available-for-sale financial assets	**1,728**	–
Interest income	**(169,447)**	(161,902)
Changes in fair value of foreign currency forward contracts	**(3,946)**	32,357
Changes in fair value of interest rate swap contracts	**–**	1,155
Exchange gain on realisation of foreign currency forward contracts	**(4,002)**	(4,707)
Net loss arising from interest rate swap contracts	**–**	9,500
Net gain on disposal of property, plant and equipment	**(17,690)**	(24,262)
Net gain on disposal of prepaid lease payments	**(1,698)**	(1,745)
(Gain) loss on disposal of associates	**(2,546)**	656
Gain on disposal of subsidiaries	**(165,094)**	(7,322)
(Gain) loss on disposal of available-for-sale financial assets	**(2,873)**	2,825
Reversal of allowance for inventories	**(10,534)**	(9,150)
Safety fund set aside	**125,077**	74,601
Cash-settled share based payments	**(459)**	1,127
Share of results of associates	**(7,365)**	(129,737)
Utilisation/amortisation of government grants	**(205,485)**	(175,417)
Waiver of other payables	**(9,176)**	(4,788)
Operating cash flows before movements in working capital	**6,704,492**	8,837,509
Increase in inventories	**(166,425)**	(2,848,674)
Increase in trade and other receivables	**(4,465,399)**	(7,145,616)
Increase in contracts work-in-progress	**(115,546)**	(590,465)
Increase in other current and non-current assets	**(53,292)**	(49,063)
Increase in trade and other payables	**784,537**	1,736,640
Increase in provisions	**7,240**	19,294
Decrease in early retirement and supplemental benefit obligations	**(11,666)**	(6,421)
Decrease in safety fund	**(58,973)**	(54,817)
Cash generated from (used in) operations	**2,624,968**	(101,613)
Income tax paid	**(921,365)**	(1,035,539)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**1,703,603**	(1,137,152)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,910,962)**	(7,160,151)
Purchase of prepaid lease payments		**(344,976)**	(319,549)
Purchase of mining rights		**(33,860)**	(68,168)
Receipt from net gain arising from foreign currency forwards contracts		**6,149**	–
Purchase of investment properties		**–**	(3,271)
Increase in investments in associates		**(150,000)**	(4,000)
Purchase of available-for-sale financial assets		**–**	(3,949)
Repayment of loan receivables		**2,801**	3,883
Purchase of intangible assets		**(125,395)**	(31,749)
Prepayment for acquisition of a subsidiary		**–**	(101,400)
Net cash inflow on disposal of subsidiaries		**130,233**	26,120
Increase in restricted bank balances		**(50,263)**	(661,303)
Payments for common control business combination		**(198,048)**	(144,047)
Interest received on bank deposits and loan receivables		**171,028**	161,713
Proceeds from disposals of property, plant and equipment		**45,417**	485,179
Proceeds from disposals of prepaid lease payments		**75,215**	41,172
Proceeds from disposals of intangible assets		**–**	495
Proceeds from disposals of an associate		**31,159**	777
Proceeds from disposals of available-for-sale financial assets		**4,981**	16,907
Dividends received on available-for-sale financial assets		**20,727**	24,783
Dividends received from associates		**1,656**	3,341
Net cash outflow on acquisition of subsidiaries	*50*	**(428,347)**	(63,998)
Settlement of interest rate swaps contracts		**–**	(9,363)
NET CASH USED IN INVESTING ACTIVITIES		**(5,752,485)**	(7,806,578)
FINANCING ACTIVITIES			
Proceeds from new borrowings		**22,810,304**	16,126,176
Government grants received		**639,086**	499,149
Contributions received from non-controlling interests		**2,404,024**	39,410
Repayments of borrowings		**(20,965,810)**	(11,631,690)
Interest paid		**(1,834,169)**	(1,520,716)
Dividends paid to non-controlling interests		**(683,664)**	(576,342)
Dividends paid		**(208,850)**	(140,361)
Gross proceeds from issuance of medium-term notes		**900,000**	2,660,000
Government contributions		**40,712**	73,720
Received for disposal of equity interests in subsidiaries		**342,798**	–
Payments for acquisition of additional equity interests in subsidiaries		**–**	(26,784)
Capital reduction of a subsidiary		**–**	(678)
Proceeds from short-term financing bills		**–**	800,000
Repayments of short-term financing bills		**(400,000)**	(400,000)
Disbursement of incremental costs directly attributable to issuance of medium-term notes		**(600)**	(7,330)
NET CASH FROM FINANCING ACTIVITIES		**3,043,831**	5,894,554

	Notes	**2012 RMB'000**	2011 RMB'000 (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,005,051)**	(3,049,176)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**10,205,165**	13,293,129
Effect of foreign exchange rate changes		**(13,474)**	(38,788)
		9,186,640	10,205,165
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by:			
Bank balances and cash		**9,186,640**	10,200,238
Bank balances and cash included in as assets classified as held for sale	*37*	**–**	4,927
		9,186,640	10,205,165

1. GENERAL INFORMATION

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law of the PRC. Its immediate holding company is China National Materials Group Corporation Ltd. ("Sinoma Group"). The directors of the Company regard the ultimate holding party as at 31 December 2012 to be Chinese State owned Assets Supervision and Administration Commission of the State Council. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of cement equipment and engineering services, production and sales of cement and high-tech materials. Particulars of the Company's principal subsidiaries are set out in Note 59(a).

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB5,054,962,000 as at 31 December 2012.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2012 by taking into consideration the followings:

– At 31 December 2012, the Group has undrawn borrowings facilities available for immediate use and which will not be expiring in the next twelve months from 31 December 2012 of approximately RMB10,251,833,000. Details of which are set out in Note 40(g).

With the basis that the undrawn banking facilities will provide a cash inflow with a view to improve its working capital position, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2012. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

2.2 Adoption of merger accounting

As disclosed in Note 51, the Group acquired equity interests in certain entities from Sinoma Group during the current year and these business combinations were accounted for as business combinations under common control in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements incorporate the financial information of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The directors of the Company anticipate that the application of the revised HKFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10 HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

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

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

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

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

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

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The application of HKFRS 11 will change the classification and subsequent accounting of the Group's jointly controlled entities. For example, under HKAS 31, the Group's jointly controlled entities that include PPG Sinoma Jinjing Fiber Glass Co., Ltd., PPG Sinoma Zibo Jinjing Fiber Glass Co., Ltd. and Dongguan Taiguang Fiberglass Ltd. have been accounted for using proportionate consolidation method. Under HKFRS 11, the above entities will be classified as joint ventures and will be accounted for using the equity method, resulting in the aggregation of the Group's proportionate share of their respective net assets and items of profit or loss and other comprehensive income into a single line item which will be presented in the consolidated statement of financial position and in the consolidated statement of comprehensive income as 'investment in joint ventures' and 'share of profits (loss) of joint ventures' respectively. The summarised financial information in respect of the jointly controlled entities are disclosed in note 27.

Other than disclosed above, the directors of the Company anticipate that the application of these five standards is not expected to have significant impact on amounts reported but will result in more extensive disclosures in the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities *(Continued)*

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors of the Company anticipate that the application of the amendments to HKAS 19 may have an impact on the amounts reported in respect of the Groups' defined benefit plans. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Business combinations

Business combinations involving entities under common control

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations other than common control combinations

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognise in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

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

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

The financial statements of jointly controlled entities used for proportionate consolidation purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and far values less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extend that the recoverable amount of the investment subsequently increases.

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

Property, plant and equipment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Non-current assets held for sale

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

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

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

Investment properties

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

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

Intangible assets

Intangible assets acquired separately

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mining rights

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

Construction contracts

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term,

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

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

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

Inventories

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

Cash and cash equivalents

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

Financial instruments

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

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

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instruments 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 and 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in "other gains" or "other expenses" line items in the consolidated income statement.

Loans and receivables

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

Available-for-sale financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets (Continued)

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

Impairment loss on financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVTPL, of which the interest expenses are included in other expenses.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and included in "other gains" or "other expenses" line items in the consolidated income statements.

Other financial liabilities

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

Derivative financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

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

Derecognition

The Group derecognise a financial asset only when the contractual rights to receive cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and is accumulated in equity recognised in profit or loss.

The Group derecognised financial liabilities when, and only when the Group's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

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

Warranties

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

Revenue recognition

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

Deposits and instalments received from purchasers prior to meeting the criteria for revenue recognition (see the accounting policy below) are included in the consolidated statement of financial position under current liabilities.

(a) Revenue from cement equipment and engineering services

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) Other services rendered

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

(c) Sales of products

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

- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

(g) Penalty income

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Government grants

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

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

Taxation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The carrying amount of deferred income tax assets is reviewed at the end of 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Employee benefits

(a) Pension obligations

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(a) Pension obligations *(Continued)*

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

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

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

(b) Other post-employment obligations

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

(c) Termination and early retirement benefits

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

(d) Housing funds

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(e) Bonus entitlements

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

Cash-settled share-based payment transactions

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, mining rights and intangible assets 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. When 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 to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Financial assets			
Derivative financial instruments	**4,708**	3,165	34,464
Loans and receivables (including cash and cash equivalents)	**22,636,690**	21,859,495	20,705,536
Available-for-sale financial assets	**2,282,625**	2,346,251	2,578,763
	24,924,023	24,208,911	23,318,763
Financial liabilities			
Derivative financial instruments	**657**	913	3,415
Amortised cost	**48,928,228**	45,159,094	34,465,542
	48,928,885	45,160,007	34,468,957

5.2 Financial risk management objectives and policies

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

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

(a) Foreign exchange risk

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2012 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Nigerian Naira ("NGN"), Vietnamese Dong ("VND"), Iraqi Dinar ("IQD"), Egyptian Pound ("EGP"), Albanian Lek ("ALL"), Saudi Arabian Riyal ("SAR"), Azerbaijani Manat ("AZN") and South African Rand ("ZAR"). Analysis of these assets and liabilities by currency are disclosed in Notes 33, 35, 36, 38 and 40.

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

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

	Assets		Liabilities	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**1,285,948**	649,364	**(1,595,557)**	(707,917)
EUR	**782,085**	428,410	**(289,516)**	(557,818)
NGN	**349**	12,095	**–**	(27,746)
VND	**21,510**	30,670	**–**	–
IQD	**133,320**	45,873	**–**	–
EGP	**31,322**	8,434	**–**	–
ALL	**64,390**	54,322	**–**	(14,524)
SAR	**198,553**	192,145	**–**	–
AZN	**74,592**	73,864	**–**	(9,530)
ZAR	**47,481**	26,182	**–**	(63,935)
Others	**122,542**	180,684	**(2,849)**	(11,030)
	2,762,092	1,702,043	**(1,887,922)**	(1,392,500)

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

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

Sensitivity analysis

As at 31 December 2012, if RMB had strengthened by 1% (2011: 2%) against US$ with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB2,632,000 higher (2011: RMB996,000 higher), mainly as a result of foreign exchange gains (2011: gains) on translation of US$-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 2% to 1% for the purpose of assessing foreign currency risk. The adverse movement in US$ would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 2% (2011: 5%) against EUR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB8,374,000 lower (2011: RMB4,019,000 higher), mainly as a result of foreign exchange losses (2011: gain) on translation of EUR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash and borrowings. Since the debt crisis of EUR is under control, the exchange rate of EUR became more stable, thus the management adjusted the sensitivity rate from 5% to 2% for the purpose of assessing foreign currency risk. The adverse movement in EUR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 1% (2011: 6%) against NGN with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB3,000 lower (2011: RMB799,000 higher), mainly as a result of foreign exchange losses (2011: gain) on translation of NGN-denominated bank balances and cash and trade and other payables (except for prepayments from customers). As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 6% to 1% for the purpose of assessing foreign currency risk. The adverse movement in NGN would be an equal and opposite impact on the post-tax profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis (Continued)

As at 31 December 2012, if RMB had strengthened by 1% (2011: 4%) against VND with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB183,000 lower (2011: RMB1,043,000 lower), mainly as a result of foreign exchange losses on translation of VND-denominated bank balances and cash. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 4% to 1% for the purpose of assessing foreign currency risk. The adverse movement in VND would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 1% (2011: 3%) against IQD with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB1,133,000 lower (2011: RMB1,170,000 lower), mainly as a result of foreign exchange losses on translation of IQD-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 3% to 1% for the purpose of assessing foreign currency risk. The adverse movement in IQD would be equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 2% (2011: 3%) against EGP with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB532,000 lower (2011: RMB215,000 lower), mainly as a result of foreign exchange losses on translation of EGP-denominated bank balances and cash. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 3% to 2% for the purpose of assessing foreign currency risk. The adverse movement in EGP would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 1% (2011: 9%) against ALL with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB547,000 lower (2011: RMB3,045,000 lower), mainly as a result of foreign exchange losses on translation of ALL-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 9% to 1% for the purpose of assessing foreign currency risk. The adverse movement in ALL would be an equal and opposite impact on the post-tax profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis (Continued)

As at 31 December 2012, if RMB had strengthened by 1% (2011: 2%) against SAR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB1,688,000 lower (2011: RMB3,270,000 lower), mainly as a result of foreign exchange losses on translation of SAR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 2% to 1% for the purpose of assessing foreign currency risk. The adverse movement in SAR would be equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 1% (2011: 2%) against AZN with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB634,000 lower (2011: RMB1,094,000 lower), mainly as a result of foreign exchange losses on translation of AZN-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash and trade and other payables (except for prepayments from customers). As a result of the relatively stable financial market in 2012, the management adjusted the sensitivity rate from 2% to 1% for the purpose of assessing foreign currency risk. The adverse movement in AZN would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2012, if RMB had strengthened by 6% (2011: 16%) against ZAR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB2,422,000 lower (2011: RMB5,134,000 higher), mainly as a result of foreign exchange losses (2011: gains) on translation of ZAR-denominated bank balances and cash and trade and other payables (except for prepayments from customers). During the year, ZAR has become relatively stable, thus the management adjusted the sensitivity rate from 16% to 6% for the purpose of assessing foreign currency risk. The adverse movement in ZAR would be an equal and opposite impact on the post-tax profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(b) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes. Bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk. As at 31 December 2012, approximately RMB6,745,630,000 (2011: approximately RMB7,847,947,000) and RMB15,309,084,000 (2011: approximately RMB13,662,620,000) of the Group's bank balances and borrowings were at variable rates, respectively. Bank balances and borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2012, approximately RMB21,500,000 (2011: RMB19,000,000), RMB1,969,306,000 (2011: RMB1,919,043,000), RMB2,437,414,000 (2011: RMB2,348,309,000), RMB400,000,000 (2011: RMB800,000,000), RMB9,840,058,000 (2011: RMB9,588,787,000), RMB2,490,239,000 (2011: RMB2,487,829,000) and RMB5,253,610,000 (2011: RMB4,352,670,000) of the Group's loan receivables, restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes were at fixed rates, respectively. The interest rates and maturities of the Group's restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes are disclosed in Notes 33, 35, 36, 39, 40, 44 and 45.

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

As at 31 December 2012, if the interest rate on variable-rate borrowings had been 100 basis points (2011: 100 basis points) higher with all other variables held constant, which was considered reasonably possible at that date by management, profit for the year would has been RMB64,568,000 lower (2011: RMB47,198,000 lower), mainly as a result of higher interest expenses on bank borrowings.

(c) Other price risk

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

Sensitivity analysis

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

If the price of the respective equity securities had been 10% (2011: 10%) higher/lower, the investment revaluation reserve would increase/decrease by approximately RMB161,701,000 (2011: approximately RMB166,055,000) for the Group as a result of the changes in fair value of available-for-sale financial assets.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(d) Credit risk

The carrying amounts of trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collaterals as security. The directors of the Company consider the Group does not have a significant concentration of credit risk. Contributions from the largest and five largest customers accounted for approximately 2% (2011: 7%) and 6% (2011: 13%) of the Group's total trade receivable for the year ended 31 December 2012.

In respect of the prepayments to suppliers and subcontractors, the directors of the Company closely monitors the subsequent execution of the contractual obligation performed by the suppliers and subcontractors and review its recoverability to ensure that adequate impairment losses are recognised for those suppliers and subcontractors failure to discharge their obligation to execute the contracts.

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

The credit risk on financial guarantee given by the Group is limited as the guarantees are either the stated-owned enterprises or enterprises with strong financial position as at 31 December 2012 and 2011. The maximum exposure of financial guarantee is arising from the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 53.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2012 and 2011.

(e) Liquidity risk

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

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity risk *(Continued)*

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

The Group is exposed to liquidity risk as at 31 December 2012 as the Group had net current liabilities of approximately RMB5,054,962,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

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

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity risk *(Continued)*

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012						
Non-derivative financial liabilities						
Trade and other payables	**15,622,656**	**–**	**4,645**	**–**	**15,627,301**	**15,627,301**
Dividend payable	**7,936**	**–**	**–**	**–**	**7,936**	**7,936**
Short-term financing bills	**417,160**	**–**	**–**	**–**	**417,160**	**400,000**
Borrowings	**17,461,444**	**5,159,809**	**6,131,687**	**993,303**	**29,746,243**	**25,149,142**
Corporate bonds	**135,000**	**135,000**	**2,713,041**	**–**	**2,983,041**	**2,490,239**
Medium-term notes	**308,436**	**308,436**	**5,714,097**	**–**	**6,330,969**	**5,253,610**
Financial guarantee contracts	**30,000**	**–**	**–**	**–**	**30,000**	**–**
	33,982,632	**5,603,245**	**14,563,470**	**993,303**	**55,142,650**	**48,928,228**
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	**(355,926)**	**–**	**–**	**–**	**(355,926)**	**(355,926)**
– outflow	**351,875**	**–**	**–**	**–**	**351,875**	**351,875**
	(4,051)	**–**	**–**	**–**	**(4,051)**	**(4,051)**
As at 31 December 2011 (restated)						
Non-derivative financial liabilities						
Trade and other payables	14,260,570	–	4,120	–	14,264,690	14,264,690
Dividend payable	2,498	–	–	–	2,498	2,498
Short-term financing bills	847,840	–	–	–	847,840	800,000
Borrowings	14,474,119	2,475,379	6,495,341	3,433,978	26,878,817	23,251,407
Corporate bonds	135,000	135,000	2,848,041	–	3,118,041	2,487,829
Medium-term notes	257,896	257,896	4,939,531	–	5,455,323	4,352,670
Financial guarantee contracts	30,000	30,000	–	–	60,000	–
	30,007,923	2,898,275	14,287,033	3,433,978	50,627,209	45,159,094
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	(270,164)	(43,321)	–	–	(313,485)	(313,485)
– outflow	267,137	44,096	–	–	311,233	311,233
	(3,027)	775	–	–	(2,252)	(2,252)

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity risk *(Continued)*

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January 2011 (restated)						
Non-derivative financial liabilities						
Trade and other payables	11,156,868	–	1,197	–	11,158,065	11,158,065
Short-term financing bills	404,941	–	–	–	404,941	400,000
Borrowings	8,589,458	4,168,133	5,852,312	2,625,253	21,235,156	18,721,932
Corporate bonds	135,000	135,000	405,000	2,578,041	3,253,041	2,485,545
Medium-term notes	76,160	76,160	1,866,717	–	2,019,037	1,700,000
Financial guarantee contracts	365,500	–	30,000	–	395,500	–
	20,727,927	4,379,293	8,155,226	5,203,294	38,465,740	34,465,542
Derivative financial instrument, other than foreign currency forward contracts – net settlement						
Interest rate swaps contract	–	–	3,445	–	3,445	3,415
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	(1,765,034)	–	–	–	(1,765,034)	(1,765,034)
– outflow	1,730,570	–	–	–	1,730,570	1,730,570
	(34,464)	–	–	–	(34,464)	(34,464)

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

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

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value

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

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

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

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

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

- *Level 1 – quoted market prices:*

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

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

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

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

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

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2012				
Financial assets at FVTPL				
Derivative financial assets	**–**	**4,708**	**–**	**4,708**
Available-for-sales financial assets				
Equity securities	**2,131,214**	**–**	**–**	**2,131,214**
	2,131,214	**4,708**	**–**	**2,135,922**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**(657)**	**–**	**(657)**
As at 31 December 2011				
Financial assets at FVTPL				
Derivative financial assets	–	3,165	–	3,165
Available-for-sales financial assets				
Equity securities	2,191,004	–	–	2,191,004
	2,191,004	3,165	–	2,194,169
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(913)	–	(913)

There were no transfers between Level 1 and 2 during the year ended 31 December 2012 and 2011.

6. CAPITAL RISK MANAGEMENT

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

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

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

The net debt ratios of the Group are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Short-term financing bills *(Note 39)*	**400,000**	800,000	400,000
Total borrowings *(Note 40)*	**25,149,142**	23,251,407	18,721,932
Corporate bonds *(Note 44)*	**2,490,239**	2,487,829	2,485,545
Medium-term notes *(Note 45)*	**5,253,610**	4,352,670	1,700,000
Less: Restricted bank balances *(Note 35)*	**(1,969,306)**	(1,919,043)	(1,257,740)
Bank balances and cash *(Note 36)*	**(9,186,640)**	(10,200,238)	(13,293,129)
Net debt	**22,137,045**	18,772,625	8,756,608
Total equity	**27,075,006**	23,783,059	20,803,805
Net debt ratio	**81.76%**	78.93%	42.09%

The increase in the net debt ratio during the year ended 31 December 2012 resulted primarily from more borrowings has been obtained by the Group to provide funds for operation. The Group did not breach any loan covenants at the end of the reporting period.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

(a) Going concern basis

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

(b) De facto control over subsidiaries

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

(c) Significant influence over associates

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

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

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

(d) Current and deferred income tax

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

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

(e) Ownership of the buildings and prepaid lease payments

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

Key sources of estimation uncertainty

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

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

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

(b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. As at 31 December 2012, the carrying amount of property, plant and equipment is approximately RMB 41,293,265,000 (net of accumulated impairment approximately RMB218,533,000) (31 December 2011: Carrying amount of approximately RMB34,223,827,000, net of accumulated impairment of approximately RMB430,383,000).

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

Key sources of estimation uncertainty *(Continued)*

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

The Group follows the guidance of HKAS 39 Financial Instruments – Recognition and Measurement in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As at 31 December 2012, the carrying amount of available-for-sale financial assets is approximately RMB2,282,625,000 (net of impairment loss of approximately RMB103,238,000) (31 December 2011: carrying amount of approximately RMB2,346,251,000, net of impairment loss of approximately RMB104,510,000).

(d) Allowance for inventories

During the year, the Group reversed the allowance of inventories of approximately RMB10,534,000 (2011: RMB9,150,000) and write down of inventories of approximately RMB81,630,000 (2011: RMB78,537,000). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and usefulness of the inventories. As at 31 December 2012, the carrying amount of inventories is approximately RMB8,431,498,000 (net of accumulated allowance of inventories approximately of RMB170,914,000) (31 December 2011: carrying amount of approximately RMB8,157,322,000, net of allowance of inventories of approximately RMB99,818,000).

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

The Group's management determines the provision for impairment of trade and other receivables with the accounting policy stated in Note 4. Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Management reassesses the adequacy of any such provision on a regular basis. As at 31 December 2012, the carrying amount of trade and other receivables is approximately RMB16,728,098,000 (net of impairment loss of approximately RMB1,515,507,000) (31 December 2011: carrying amount of approximately RMB15,764,429,000, net of impairment loss of approximately RMB914,036,000).

(f) Prepayments to suppliers and subcontractors

During the year ended 31 December 2012, the Group had entered into a number of steel trading agreements and the suppliers were failed to execute the agreement by delivery steel or refund the prepayment made by the Group. Two civil actions has been made by the Group to claims against the suppliers and eventually settlement agreements were signed by suppliers to settlement the repayment to the Group. The financial position of the suppliers, fair value of transferred assets have been assessed by the management of the Group with reference to the terms of settlement agreement, valuation report and legal advice. The Group's management considers that no recoverability problem was noted.

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

Key sources of estimation uncertainty *(Continued)*

(g) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating unit's ("CGU") fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 25. As at 31 December 2012, the carrying value of goodwill (net of accumulated impairment loss of approximately RMB123,420,000 (2011: RMB123,420,000)) is approximately RMB561,612,000 (2011: RMB415,052,000).

Further details of the Group's goodwill and the results of the review undertaken by management as at 31 December 2012 are set out in Notes 24 and 25 respectively.

(h) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires judgment of the management. Anticipated losses are fully provided on contracts when identified. Management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction and engineering businesses, the contract activity will usually last for a period over one year and therefore fall into different accounting periods. During the year ended 31 December 2012, foreseeable losses on construction contracts of approximately RMB55,298,000 (2011: RMB123,426,000) have been recognised.

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

(i) Provision for guarantees

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

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

Key sources of estimation uncertainty *(Continued)*

(j) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments. As at 31 December 2012, the carrying amount of provision for litigation is approximately RMB27,780,000 (2011: RMB27,780,000).

(k) Provision for warranties

Provisions for the expected cost of warranty obligations under the sale contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation. As at 31 December 2012, the carrying amount of provision for warranties is approximately RMB65,732,000 (2011: RMB58,492,000).

8. TURNOVER

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

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Turnover comprises:		
– Cement equipment and engineering services	**19,749,155**	24,290,469
– Cement	**20,452,545**	20,233,829
– High-tech materials	**6,070,864**	6,194,290
	46,272,564	50,718,588

9. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the nature of business for the goods supplied and services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

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

(a) Segment revenues and results

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

For the year ended 31 December 2012

	Cement equipment and engineering services *RMB'000*	**Cement** *RMB'000*	**High-tech materials** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE					
External sales	**19,749,155**	**20,452,545**	**6,070,864**	**–**	**46,272,564**
Inter-segment sales	**3,186,868**	**92,470**	**59,169**	**(3,338,507)**	**–**
Total	**22,936,023**	**20,545,015**	**6,130,033**	**(3,338,507)**	**46,272,564**
Segment results	**1,315,857**	**1,904,043**	**740,799**	**(326,240)**	**3,634,459**
Unallocated operating income and expenses					**(41,537)**
Interest income					**169,447**
Finance costs					**(1,692,448)**
Share of results of associates					**7,365**
Profit before tax					**2,077,286**

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2011 (Restated)

	Cement equipment and engineering services	Cement	High-tech materials	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE					
External sales	24,290,469	20,233,829	6,194,290	–	50,718,588
Inter-segment sales	3,083,237	7,484	52,649	(3,143,370)	–
Total	27,373,706	20,241,313	6,246,939	(3,143,370)	50,718,588
Segment results	2,122,769	3,773,150	703,767	(502,385)	6,097,301
Unallocated operating income and expenses					(67,242)
Interest income					161,902
Finance costs					(1,437,426)
Share of results of associates					129,737
Profit before tax					4,884,272

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

Inter-segment sales are charged at prevailing market rates.

9. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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

Segment assets

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Cement equipment and engineering services	**16,360,915**	14,926,109	10,472,576
Cement	**42,689,477**	36,364,793	26,959,524
High-tech materials	**14,780,174**	12,795,539	11,529,081
Total segment assets	**73,830,566**	64,086,441	48,961,181
Eliminations	**(2,848,047)**	(1,305,547)	(728,008)
Unallocated assets	**16,861,898**	16,965,986	19,152,840
Consolidated assets	**87,844,417**	79,746,880	67,386,013

Segment liabilities

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Cement equipment and engineering services	**16,483,312**	14,615,050	14,933,478
Cement	**9,188,914**	7,440,226	6,091,390
High-tech materials	**3,879,649**	2,817,631	2,803,517
Total segment liabilities	**29,551,875**	24,872,907	23,828,385
Eliminations	**(3,340,227)**	(1,670,668)	(2,010,490)
Unallocated liabilities	**34,557,763**	32,761,582	24,764,313
Consolidated liabilities	**60,769,411**	55,963,821	46,582,208

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

- all assets are allocated to operating segments other than deferred income tax assets and unallocated assets including interests in associates, investment properties, available-for-sale financial assets, derivative financial instruments, assets classified as held for sale, restricted bank balances, bank balances and cash and certain unallocated head office assets; and
- all liabilities are allocated to operating segments other than income tax liabilities, deferred income tax liabilities and unallocated liabilities including derivative financial instruments, short-term financing bills, borrowings, corporate bonds, medium-term notes, liabilities classified as held for sale, dividend payable and certain unallocated head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 December 2012

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	221,717	1,794,796	586,610	11,778	2,614,901
Amortisation	49,583	103,004	38,973	–	191,560
Impairment loss recognised in respect of:					
– property, plant and equipment	–	24,396	501	–	24,897
– available-for-sale financial assets	–	–	1,728	–	1,728
– trade receivables	262,831	38,670	33,052	–	334,553
– prepayments to suppliers and subcontractors and other receivables	221,237	29,033	79,015	56	329,341
– loan receivables	–	1,698	2,875	–	4,573
Allowance for inventories	46,868	19,081	15,681	–	81,630
Reversal of allowance for inventories	–	–	(10,534)	–	(10,534)
Gain on disposals of property, plant and equipment	(2,653)	(6,424)	(8,613)	–	(17,690)
Gain on disposals of prepaid lease payments	(436)	(76)	(1,186)	–	(1,698)
Loss (Gain) on disposal of subsidiaries	–	11,051	(176,145)	–	(165,094)
Waiver of other payables	(8,115)	(305)	(756)	–	(9,176)
Government grants	(9,159)	(128,625)	(258,881)	–	(396,665)
Foreseeable losses on construction contracts	55,298	–	–	–	55,298
Additions to non-current assets *(Note)*	424,765	5,508,214	4,629,476	2,506	10,564,961
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(108,635)	(41,090)	(17,682)	(2,040)	(169,447)
Finance costs	76,782	940,529	358,528	316,609	1,692,448
Share of results of associates	(6,051)	(538)	(776)	–	(7,365)
Income tax expense (credit)	321,426	143,236	48,513	(2,210)	510,965
Interests in associates	85,160	1,132,467	26,279	150,000	1,393,906

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 December 2011 (Restated)

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	197,126	1,465,061	560,083	398	2,222,668
Amortisation	15,302	98,796	27,511	–	141,609
Impairment loss recognised in respect of:					
– property, plant and equipment	–	83,298	58,265	–	141,563
– intangible assets	–	114,352	–	–	114,352
– trade receivables	165,488	51,819	31,296	–	248,603
– prepayments to suppliers and subcontractors and other receivables	15,169	12,471	3,439	109	31,188
– loan receivables	–	6,069	132	–	6,201
Allowance for inventories	40,859	25,285	12,393	–	78,537
Reversal of allowance for inventories	–	(496)	(8,654)	–	(9,150)
(Gain) loss on disposals of property, plant and equipment	(24,953)	6,164	(5,838)	365	(24,262)
Gain on disposals of prepaid lease payments	–	(1,745)	–	–	(1,745)
Gain on disposal of a subsidiary	–	(7,322)	–	–	(7,322)
Waiver of other payables	(3,650)	(1,098)	(40)	–	(4,788)
Government grants	(9,899)	(261,305)	(72,986)	–	(344,190)
Foreseeable losses on construction contracts	123,426	–	–	–	123,426
Additions to non-current assets *(Note)*	529,419	6,557,315	2,511,913	4,070	9,602,717
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(94,968)	(51,939)	(13,047)	(1,948)	(161,902)
Finance costs	40,396	742,154	351,091	303,785	1,437,426
Share of results of associates	(19,524)	(110,223)	10	–	(129,737)
Income tax expense (credit)	397,749	461,791	60,357	(126)	919,771
Interests in associates	79,108	1,131,929	55,773	–	1,266,810

Note: Non-current assets exclude interests in associates, financial instruments and deferred income tax assets. Additions to non-current assets for the year ended 31 December 2012 resulting from acquisitions through business combinations other than common control amounting to RMB1,166,363,000 (2011: RMB162,001,000).

9. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

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

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

	Revenue from external customers		Non-current assets		
			31 December	31 December	1 January
	2012	2011	**2012**	2011	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
		(Restated)		(Restated)	(Restated)
The PRC	**36,246,094**	40,427,382	**47,755,797**	40,138,146	33,570,014
Middle East	**1,874,988**	2,109,684	**22,187**	22,856	2,957
Africa	**3,483,596**	3,788,091	**7,306**	6,181	13,997
Other Asian countries	**2,589,294**	3,141,292	**727**	773	425
Europe	**775,356**	1,014,603	**–**	–	5,559
America	**1,086,579**	–	**–**	–	–
Others	**216,657**	237,536	**–**	–	–
	46,272,564	50,718,588	**47,786,017**	40,167,956	33,592,952

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

(e) Information about major customers

During the two years ended 31 December 2012 and 2011, no revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue.

10. INTEREST INCOME

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Interest income on bank deposits	**166,947**	159,251
Interest income on loan receivables	**2,500**	2,651
Total interest income	**169,447**	161,902

11. OTHER GAINS

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Gain on debts restructuring *(Note a)*	**14,959**	1,971
Net gain on disposals of property, plant and equipment	**17,690**	24,262
Net gain on disposals of prepaid lease payments	**1,698**	1,745
Gain on disposals of available-for-sale financial assets	**2,873**	–
Gain on disposal of an associate	**2,546**	–
Net gain on disposal of subsidiaries	**165,094**	7,322
Exchange gain on realisation of foreign currency forward contracts	**4,002**	4,707
Dividend income on available-for-sale financial assets *(Note b)*	**20,727**	24,783
Income from sales of scrap materials	**2,454**	11,832
Gain on a bargain purchase *(Note 50 (a) (iii))*	**1,619**	–
Change in fair values of foreign currency forward contracts	**3,946**	–
Penalty income *(Note c)*	**25,132**	27,579
Rental income *(Note d)*	**35,780**	34,790
Waiver of other payables	**9,176**	4,788
Value-added tax refunds *(Note e)*	**659,583**	393,664
Government grants		
– utilisation/amortisation of deferred income for the year *(Note 46)*	**205,485**	175,417
– grants related to expenses recognised as other gains *(Note f)*	**191,180**	168,773
Others	**3,173**	3,577
	1,367,117	885,210

Notes:

(a) During the year, a subsidiary of the Company had settled certain bank borrowings at a discount of RMB14,959,000 (2011: RMB1,971,000).

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

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

11. OTHER GAINS *(Continued)*

(d) Rental income:

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Gross rental income from investment properties	**35,780**	34,790
Less: Direct operating expenses that generate rental income (included in administrative expenses)	**(10,491)**	(10,414)
Net rental income from investment properties	**25,289**	24,376

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

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

12. EXCHANGE GAIN (LOSS)

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Net exchange gain (loss)	**3,195**	(54,232)
Less: Net foreign exchange loss on bank borrowings *(Note 14)*	**(1,508)**	(1,518)
Exchange gain (loss) arising from the operating activities	**1,687**	(55,750)

13. OTHER EXPENSES

	2012 RMB'000	2011 RMB'000 (Restated)
Change in fair values of the derivative financial instruments		
– Interest rate swap contracts	–	1,155
– foreign currency forward contracts	–	32,357
Loss on realisation of interest rate swap contracts	–	9,500
Loss on disposal of an associate	–	656
Loss on disposal of available-for-sale financial assets	–	2,825
Penalty	**13,990**	20,080
Donations	**9,828**	12,636
Others	**7,616**	7,465
	31,434	86,674

14. FINANCE COSTS

	2012 RMB'000	2011 RMB'000 (Restated)
Interest expenses		
– Bank borrowings wholly repayable within 5 years	**1,254,469**	1,177,153
– Bank borrowings not wholly repayable within 5 years	**30,824**	30,683
– Corporate bonds not wholly repayable within 5 years	**137,410**	137,284
– Medium-term notes wholly repayable within 5 years	**267,833**	132,294
– Short-term financing bills wholly repayable within 5 years	**49,010**	18,183
– Other borrowings	**39,924**	34,708
	1,779,470	1,530,305
Less: Amounts capitalised as construction in progress *(Note)*	**(100,342)**	(105,577)
	1,679,128	1,424,728
Net foreign exchange gain on bank borrowings *(Note 12)*	**(1,508)**	(1,518)
Discount charges on bank acceptance notes	**14,828**	14,216
Total finance costs	**1,692,448**	1,437,426

Note: Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.37% (2011: 5.65%) per annum to expenditure on qualifying assets.

15. INCOME TAX EXPENSE

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

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2011: 25%) on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries and jointly controlled entities which were taxed at preferential rate of 15% (2011: 15%).

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

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

	2012 ***RMB'000***	2011 *RMB'000* (Restated)
Current income tax:		
– PRC enterprise income tax	**667,738**	1,071,563
– Overseas taxation	**1,379**	5,355
– Overprovision in previous years	**(7,086)**	(1,309)
	662,031	1,075,609
Deferred income tax *(Note 47)*		
– Net effect of changes in tax rates on deferred income tax assets and liabilities	**4,463**	(1,084)
– Other deferred income tax	**(155,529)**	(154,754)
	(151,066)	(155,838)
	510,965	919,771

15. INCOME TAX EXPENSE *(Continued)*

The difference between the actual income tax expense in the consolidated income statement and the amounts which is calculated based on the statutory tax rate of 25% (2011: 25%) is as follows:

	2012 ***RMB'000***	2011 *RMB'000* (Restated)
Profit before tax	**2,077,286**	4,884,272
Less: Share of results of associates	**(7,365)**	(129,737)
	2,069,921	4,754,535
Tax calculated at the statutory tax rate of 25% (2011: 25%)	**517,480**	1,188,634
Tax effect of income not taxable for tax purpose	**(43,586)**	(48,561)
Tax effect of expenses not deductible for tax purpose	**116,060**	99,373
Tax effect of tax losses not recognised	**81,634**	105,272
Utilisation of tax losses previously not recognised	**(4,175)**	–
Additional deduction arising from research and development expenditure	**(4,960)**	(7,740)
Effect of differences in tax rates applicable to certain domestic subsidiaries and jointly controlled entities	**(145,400)**	(401,072)
Net effect of changes in tax rates on deferred income tax assets and liabilities	**4,463**	(1,084)
Additional deduction arising from equipment produced in the PRC	**(3,465)**	(13,742)
Overprovision in previous years	**(7,086)**	(1,309)
Income tax expense	**510,965**	919,771

16. PROFIT FOR THE YEAR

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

	2012 RMB'000	2011 RMB'000 (Restated)
Cost of inventories recognised as expenses	**25,619,172**	24,205,142
Auditor's remuneration	**9,500**	8,600
Employee benefit expense (including directors', supervisors', chief executive's and senior management's emoluments) *(Note 17)*	**2,603,291**	2,741,527
Depreciation and amortisation:		
– property, plant and equipment	**2,603,652**	2,211,128
– prepaid lease payments	**111,322**	96,665
– investment properties	**11,249**	11,540
– intangible assets	**36,775**	13,859
– mining rights	**43,463**	31,085
Operating lease rentals	**151,511**	145,928
Share of income tax expenses:		
– associates	**14,588**	28,395
– jointly controlled entities	**498**	533
Research and development costs	**724,563**	576,762
Safety fund set aside	**125,077**	74,601
Provision for warranties *(Note 43)* (included in cost of sales)	**28,710**	28,693
Foreseeable losses on construction contracts (included in cost of sales)	**55,298**	123,426
Impairment loss recognised in respect of:		
– trade receivables (included in administrative expenses)	**334,553**	248,603
– prepayments to suppliers and subcontractors and other receivables (included in administrative expenses)	**329,341**	31,188
– loan receivables (included in administrative expenses)	**4,573**	6,201
– property, plant and equipment (included in administrative expenses)	**24,897**	141,563
– intangible assets (included in administrative expenses)	**–**	114,352
– available-for-sales financial assets (included in administrative expenses)	**1,728**	–
Allowance for inventories (included in cost of sales)	**81,630**	78,537
Reversal of allowance for inventories (included in cost of sales)	**(10,534)**	(9,150)

17. EMPLOYEE BENEFITS

	2012 RMB'000	2011 RMB'000 (Restated)
Salaries, wages and bonuses	**1,875,464**	1,948,788
Contributions to pension plans *(Note a)*	**277,238**	282,144
Early retirement and supplemental pension benefits *(Note 41 and Note b)*	**37,448**	38,104
Housing funds *(Note c)*	**74,365**	86,130
Cash-settled share-based payments *(Note 42)*	**(459)**	1,127
Welfare, medical and other expenses	**339,235**	385,234
	2,603,291	2,741,527

Notes:

(a) During the two years ended 31 December 2012 and 2011, the employees of the Company and the subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial governments in the PRC to which the Group is required to make monthly contributions at rates ranging from 18% to 23%, depending on the applicable local regulations, of the employees' basic salary for the previous year.

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

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

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

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

(a) Directors', supervisors' and chief executive's emoluments

	2012 RMB'000	2011 RMB'000
Directors, supervisors and the chief executive		
– Fee for directors, supervisors and the chief executive	**990**	990
– Basic salaries, housing allowances and other allowances	**1,162**	1,371
– Contributions to pension plans	**66**	126
– Discretionary bonuses	**687**	1,444
– Cash-settled share-based payments	**(201)**	96
	2,704	4,027

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

(a) Directors', supervisors' and chief executive's emoluments *(Continued)*

(i) The emoluments of every director, supervisor and the chief executive for the year ended 31 December 2012 were set out below:

Name	Fee for directors, supervisors and the chief executive *RMB'000*	Basic salaries, housing allowances and other allowances *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Cash-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Tan Zhongming *(Note a)*	–	–	–	–	(132)	(132)
– Mr. Yu Shiliang *(Note b)*	–	–	–	–	(23)	(23)
– Mr. Li Xinhua *(Note d)*	–	–	–	–	(23)	(23)
Non-executive directors						
– Mr. Liu Zhijiang	–	–	–	–	(23)	(23)
– Mr. Zhang Hai	–	–	–	–	–	–
– Mr. Tang Baoqi	60	–	–	–	–	60
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Shi Chungui	180	–	–	–	–	180
– Mr. Lu Zhengfei	180	–	–	–	–	180
– Mr. Wang Shimin	180	–	–	–	–	180
– Mr. Zhou Zude	180	–	–	–	–	180
Supervisors						
– Ms. Xu Weibing	–	–	–	–	–	–
– Mr. Wang Jianguo	15	–	–	–	–	15
– Mr. Yu Xingmin	–	905	33	639	–	1,577
– Mr. Zhang Renjie	15	–	–	–	–	15
– Mr. Qu Xiaoli	–	257	33	48	–	338
	990	1,162	66	687	(201)	2,704

Notes:

a. Deceased on 2 September 2012.

b. Resignated from non-executive director and appointed as executive director on 24 September 2012.

c. In addition to the directors' emoluments disclosed above, certain directors and supervisors of the Company received emoluments from Sinoma Group in aggregate of approximately RMB2,979,000 and RMB576,000 respectively for the year ended 31 December 2012.

d. Li Xinhua is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

(a) Directors', supervisors' and chief executive's emoluments *(Continued)*

(ii) The emoluments of every director, supervisor and the chief executive for the year ended 31 December 2011 were set out below:

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

Notes:

a. Resigned on 12 July 2011.

b. Appointed on 12 July 2011.

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

d. Li Xinhua is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

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

(a) Directors', supervisors', and chief executive's remunerations *(Continued)*

(iii) During the two years ended 31 December 2012 and 2011, no directors or supervisors or the chief executive of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors or, the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

The discretionary bonuses of directors, supervisors and the chief executive for the two years ended 31 December 2012 and 2011 is determined by the remuneration committee and having regard to the performance of individuals and market trends.

(b) Five highest paid individuals

(i) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2012 include one supervisor (2011: one supervisor) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2011: four) individuals during the year are as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Basic salaries, housing allowances and other allowances	**3,477**	4,394
Contributions to pension plans	**211**	240
Discretionary bonuses	**2,828**	4,491
	6,516	9,125

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

	2012	2011
HK$1,500,001 to HK$2,000,000 (2012: equivalent to RMB1,222,096 to RMB1,629,460 and 2011: equivalent to RMB1,228,905 to RMB1,638,539)	**1**	1
HK$2,000,001 to HK$2,500,000 (2012: equivalent to RMB1,629,461 to RMB2,036,825 and 2011: equivalent to RMB1,638,540 to RMB2,048,175)	**3**	3
	4	4

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

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

(iii) During the two years ended 31 December 2012 and 2011, no highest paid individuals of the Company waived any emoluments and no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

19. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends paid and recognised as distribution during the year:		
– 2011 final dividend: RMB0.06		
(2011: 2010 final dividend RMB0.04) per share	**214,288**	142,859

The 2012 final dividend of RMB0.03 (2011: RMB0.06) per share (tax inclusive) has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting.

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 December 2012 and 2011.

	2012	2011
		(Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**473,849**	1,462,574
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,571,464
Basic earnings per share (RMB)	**0.133**	0.410

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2011.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, office and other equipment *RMB'000*	Construction-in-progress *RMB'000*	Total *RMB'000*
At 1 January 2011, as restated	9,111,361	13,140,850	638,818	641,295	4,490,799	28,023,123
Additions	590,214	708,819	437,717	159,058	7,078,297	8,974,105
Attributable to acquisition of subsidiaries	18,335	114,225	6,053	760	–	139,373
Disposals	(205,808)	(229,652)	(18,242)	(7,215)	–	(460,917)
Eliminated on disposal of a subsidiary	(20,394)	–	(73)	(493)	–	(20,960)
Reclassification from investment properties	9,264	–	–	–	–	9,264
Reclassification upon completion	2,428,872	3,621,416	–	–	(6,050,288)	–
Classified as assets held for sale	(22,280)	(62,494)	(54)	(18)	(2,624)	(87,470)
Depreciation charged for the year	(462,811)	(1,497,486)	(119,916)	(130,915)	–	(2,211,128)
Impairment loss recognised in the consolidated income statement	(63,950)	(74,339)	(439)	(2,835)	–	(141,563)
At 31 December 2011 and 1 January 2012, as restated	**11,382,803**	**15,721,339**	**943,864**	**659,637**	**5,516,184**	**34,223,827**
Additions	**1,996,685**	**3,110,926**	**374,451**	**299,211**	**3,098,155**	**8,879,428**
Attributable to acquisition of subsidiaries	**646,177**	**199,258**	**19,551**	**2,814**	**–**	**867,800**
Disposals	**(2,399)**	**(6,013)**	**(3,300)**	**(16,015)**	**–**	**(27,727)**
Eliminated on disposal on a subsidiary	**(21,514)**	**–**	**–**	**–**	**–**	**(21,514)**
Reclassification upon completion	**1,364,131**	**1,373,361**	**–**	**–**	**(2,737,492)**	**–**
Depreciation charged for the year	**(575,716)**	**(1,651,866)**	**(173,886)**	**(202,184)**	**–**	**(2,603,652)**
Impairment loss recognised in the consolidated income statement	**(15,444)**	**(9,182)**	**(230)**	**(41)**	**–**	**(24,897)**
At 31 December 2012	**14,774,723**	**18,737,823**	**1,160,450**	**743,422**	**5,876,847**	**41,293,265**
At 31 December 2012						
Cost	**16,867,045**	**25,264,202**	**1,522,906**	**1,291,816**	**5,876,847**	**50,822,816**
Accumulated depreciation	**(1,951,750)**	**(6,474,238)**	**(353,124)**	**(531,906)**	**–**	**(9,311,018)**
Accumulated impairment loss	**(140,572)**	**(52,141)**	**(9,332)**	**(16,488)**	**–**	**(218,533)**
Carrying values	**14,774,723**	**18,737,823**	**1,160,450**	**743,422**	**5,876,847**	**41,293,265**
At 31 December 2011, as restated						
Cost	12,954,460	20,710,053	1,186,706	1,040,449	5,516,184	41,407,852
Accumulated depreciation	(1,360,912)	(4,795,223)	(233,578)	(363,929)	–	(6,753,642)
Accumulated impairment loss	(210,745)	(193,491)	(9,264)	(16,883)	–	(430,383)
Carrying values	11,382,803	15,721,339	943,864	659,637	5,516,184	34,223,827
At 1 January 2011, as restated						
Cost	10,317,295	16,944,312	814,443	912,633	4,547,802	33,536,485
Accumulated depreciation	(982,845)	(3,575,628)	(166,772)	(257,194)	–	(4,982,439)
Accumulated impairment loss	(223,089)	(227,834)	(8,853)	(14,144)	(57,003)	(530,923)
Carrying value	9,111,361	13,140,850	638,818	641,295	4,490,799	28,023,123

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

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

	2012	2011
	RMB'000	RMB'000
		(Restated)
Cost of sales	**2,257,716**	1,894,861
Selling and marketing expenses	**57,325**	47,941
Administrative expenses	**288,611**	268,326
	2,603,652	2,211,128

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

(c) As at 31 December 2012, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB3,305,167,000 (2011: RMB2,529,504,000) (Note 40).

(d) During the year, the directors of the Company conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment loss of approximately RMB24,897,000 (2011: RMB141,563,000) has been recognised for those assets, which are used in the cement segment and high-tech materials segment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use.

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

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

(f) At 31 December 2012, the Group has not obtained the formal ownership certificates for certain properties including in the buildings above, the carrying values of which at that date were approximately RMB589,386,000 (2011: RMB1,666,831,000). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

22. PREPAID LEASE PAYMENTS

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Cost	**3,976,407**	3,603,527	3,339,957
Accumulated amortisation	**(434,809)**	(358,545)	(272,849)
Carrying values	**3,541,598**	3,244,982	3,067,108
Analysed for reporting purposes as:			
Current asset	**118,871**	100,391	90,773
Non-current asset	**3,422,727**	3,144,591	2,976,335
	3,541,598	3,244,982	3,067,108

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

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

(c) As at 31 December 2012, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB170,382,000 (2011: RMB204,815,000) (Note 40).

(d) At 31 December 2012, the Group has not obtained the formal ownership certificates for certain prepaid lease payments above, the carrying values of which at that date were approximately RMB16,075,000 (2011: RMB197,159,000). In the opinion of the directors of the Company, the absence of formal title to these prepaid lease payments does not impair their values to the Group as the Group has paid the full purchase consideration of these prepaid lease payments and the probability of being evicted on the ground of an absence of formal title is remote.

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

23. INVESTMENT PROPERTIES

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
At 1 January		
Cost	**232,415**	241,364
Accumulated depreciation	**(47,851)**	(39,267)
Carrying values	**184,564**	202,097
At 1 January	**184,564**	202,097
Additions	**–**	3,271
Reclassification to property, plant and equipment	**–**	(9,264)
Depreciation charged for the year	**(11,249)**	(11,540)
At 31 December	**173,315**	184,564
At 31 December		
Cost	**232,415**	232,415
Accumulated depreciation	**(59,100)**	(47,851)
Carrying values	**173,315**	184,564
Fair values at 31 December *(Note b)*	**639,933**	671,355

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

(b) The fair values of investment properties as at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, an independent qualified valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions, except for those located in areas where such information is not available, where discounted cash flow projections are used.

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

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

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

	2012	2011
	RMB'000	*RMB'000*
Rental income recorded as other gains	**35,780**	34,790
Depreciation recorded as administrative expenses	**11,249**	11,540

24. INTANGIBLE ASSETS

	Goodwill	Patent and proprietary technologies	Customer relationships	Trademarks	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	520,483	28,439	380	49,523	20,795	619,620
Additions	–	19,523	–	2,416	9,810	31,749
Attributable to acquisition of subsidiaries	8,921	225	–	–	–	9,146
Amortisation charged for the year	–	(4,034)	(380)	(3,251)	(6,194)	(13,859)
Disposals	–	–	–	–	(495)	(495)
Impairment loss recognised in the consolidated income statement	(114,352)	–	–	–	–	(114,352)
At 31 December 2011 and 1 January 2012	415,052	44,153	–	48,688	23,916	531,809
Additions	–	100,289	–	3,903	21,203	125,395
Attributable to acquisition of subsidiaries	146,560	–	–	–	–	146,560
Amortisation charged for the year	–	(23,203)	–	(2,817)	(10,755)	(36,775)
At 31 December 2012	561,612	121,239	–	49,774	34,364	766,989
At 31 December 2012						
Cost	685,032	206,281	32,337	74,181	95,088	1,092,919
Accumulated amortisation	–	(83,464)	(32,337)	(24,407)	(60,724)	(200,932)
Accumulated impairment loss	(123,420)	(1,578)	–	–	–	(124,998)
Carrying values	561,612	121,239	–	49,774	34,364	766,989
At 31 December 2011						
Cost	538,472	105,992	32,337	70,278	73,886	820,965
Accumulated amortisation	–	(60,261)	(32,337)	(21,590)	(49,970)	(164,158)
Accumulated impairment loss	(123,420)	(1,578)	–	–	–	(124,998)
Carrying values	415,052	44,153	–	48,688	23,916	531,809
At 1 January 2011						
Cost	529,551	86,422	32,337	67,862	65,082	781,254
Accumulated amortisation	–	(56,405)	(31,957)	(18,339)	(44,287)	(150,988)
Accumulated impairment loss	(9,068)	(1,578)	–	–	–	(10,646)
Carrying values	520,483	28,439	380	49,523	20,795	619,620

(a) Amortisation of intangible assets has been charged in administrative expenses.

(d) The goodwill impairment assessment is based on the recoverable amount of the CGU which is explained in Note 4 above. Particulars regarding impairment testing on goodwill are disclosed in Note 25.

24. INTANGIBLE ASSETS *(Continued)*

(c) The above items of intangible assets are amortised on a straight-line basis at the following rates per annum:

Patent and proprietary technologies	10% to 33.33%
Customer relationships	20% to 33.33%
Trademarks	5% to 10%
Computer software	20% to 33.33%

25. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 24 have been allocated to ten individual CGUs. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2012 allocated to these units are as follows:

	2012 **RMB'000**	2011 RMB'000
High-tech materials segment – Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite") and its subsidiaries (hereinafter collective referred to as "Taishan Composite Group")	**22,868**	22,868
Cement segment – Yixing Tianshan Cement Co. Ltd. ("Yixing Tianshan")	**22,718**	22,718
Cement segment – Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement") and its subsidiaries (hereinafter collective referred to as "Tianshan Cement Group")	**2,852**	2,852
Cement segment – Gansu Qilianshan Building Materials Holdings Company Limited ("Qilianshan Holdings")	**357,693**	357,693
Cement segment – Tianshui China Concrete Engineering Co. Ltd. ("Tianshui China")	**1,002**	1,002
Cement segment – Gansu Gulangxia Cement Co. Ltd. ("Gansu Gulangxia")	**7,220**	7,220
Cement segment – Xinjiang Wujie Building Materials Testing Co. Ltd. ("Xinjiang Wujie")	**699**	699
Cement segment – Pingluo Golden Greatwall Concrete Co., Ltd. ("Pingluo Golden")	**344**	–
Cement segment – Xiahe Anduo Cement Co. Ltd. ("Xiahe Anduo")	**145,290**	–
Cement segment – Ningxia Yuhao Concrete Co., Ltd. ("Ningxia Yuhao")	**926**	–
	561,612	415,052

During the year ended 31 December 2012, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

During the year ended 31 December 2011, impairment loss of approximately RMB114,352,000 has been recognised in respect of the goodwill arising from the acquisition of Qilianshan Holdings since the expected future performance is expected to be less optimistic.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Taishan Composite Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Taishan Composite Group's management covering a five-year period, and discount rate of 10.77% (2011: 11.82%) that reflects current market assessment of the time value of money and the risks specific to this unit. Taishan Composite Group's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 18.13% (2011: 20.36% to 23.01%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite Group to exceed the aggregate recoverable amount of Taishan Composite Group.

Yixing Tianshan

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Yixing Tianshan's management covering a five-year period, and discount rate of 11.84% (2011: 12.30%) that reflects current market assessment of the time value of money and the risks specific to this unit. Yixing Tianshan's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 11.38% to 13.34% (2011: 11.38% to 17.58%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Yixing Tianshan believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Yixing Tianshan to exceed the aggregate recoverable amount of Yixing Tianshan.

Tianshan Cement Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshan Cement Group's management covering a five-year period, and discount rate of 9.60% (2011: 9.02%) that reflects current market assessment of the time value of money and the risks specific to this unit. Tianshan Cement Group's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.75% (2011: 22.13% to 28.25%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshan Cement Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshan Cement Group to exceed the aggregate recoverable amount of Tianshan Cement Group.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Qilianshan Holdings

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Qilianshan Holdings's management covering a five-year period, and discount rate of 9.74% (2011: 9.71%) that reflects current market assessment of the time value of money and the risks specific to this unit. Qilianshan Holdings's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.19% to 26.26% (2011: 22.63% to 27.15%). Such estimation is based on the unit's past performance and management's expectations for the market development.

For the year ended 31 December 2012, cement industry was benefited from the change in government's policy in expending the infrastructure construction in the PRC. Accordingly, management of Qilianshan Holdings believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Qilianshan Holdings to exceed the aggregate recoverable amount of Qilianshan Holdings.

Tianshui China

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshui China's management covering a five-year period, and discount rate of 11.88% (2011: 10.31%) that reflects current market assessment of the time value of money and the risks specific to this unit. Tianshui China's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 29.03% to 31.17% (2011: 29.03% to 32.60%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshui China believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshui China to exceed the aggregate recoverable amount of Tianshui China.

Gansu Gulangxia

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Gansu Gulangxia's management covering a five-year period, and discount rate of 13.15% (2011: 12.50%) that reflects current market assessment of the time value of money and the risks specific to this unit. Gansu Gulangxia's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 8.92% to 12.10% (2011: 10.97% to 16.82%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Gansu Gulangxia believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Gansu Gulangxia to exceed the aggregate recoverable amount of Gansu Gulangxia.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Xinjiang Wujie

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Xinjiang Wujie's management covering a five-year period, and discount rate of 18% (2011: 18%) that reflects current market assessment of the time value of money and the risks specific to this unit. Xinjiang Wujie's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 76.20% (2011: 80%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Xinjiang Wujie believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Xinjiang Wujie to exceed the aggregate recoverable amount of Xinjiang Wujie.

Pingluo Golden

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Pingluo Golden's management covering a five-year period, and discount rate of 5.86% that reflects current market assessment of the time value of money and the risks specific to this unit. Pingluo Golden's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 28.33%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Pingluo Golden believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Pingluo Golden to exceed the aggregate recoverable amount of Pingluo Golden.

Xiahe Anduo

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Xiahe Anduo's management covering a five-year period, and discount rate of 10.70% that reflects current market assessment of the time value of money and the risks specific to this unit. Xiahe Anduo's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 23.99% to 26.77%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Xiahe Anduo believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Xiahe Anduo to exceed the aggregate recoverable amount of Xiahe Anduo.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Ningxia Yuhao

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Ningxia Yuhao's management covering a five-year period, and discount rate of 6.56% that reflects current market assessment of the time value of money and the risks specific to this unit. Ningxia Yuhao's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 27.10%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Ningxia Yuhao believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Ningxia Yuhao to exceed the aggregate recoverable amount of Ningxia Yuhao.

26. MINING RIGHTS

	2012	2011
	RMB'000	*RMB'000*
At 1 January		
Cost	**576,466**	508,752
Accumulated amortisation	**(99,300)**	(68,737)
Carrying values	**477,166**	440,015
At 1 January	**477,166**	440,015
Additions	**33,860**	68,168
Attributable to acquisition of subsidiaries	**15,524**	68
Amortisation charged for the year	**(43,463)**	(31,085)
At 31 December	**483,087**	477,166
At 31 December		
Cost	**625,850**	576,466
Accumulated amortisation	**(142,763)**	(99,300)
Carrying values	**483,087**	477,166

Mining rights are amortised over its concession period from 3 years to 30 years. Amortisation of mining rights has been charged to cost of sales.

27. JOINTLY CONTROLLED ENTITIES

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group consolidates its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group's share of assets and liabilities, turnover and results of jointly controlled entities included in the consolidated statement of financial position and consolidated income statement are as follows:

	2012	2011
	RMB'000	*RMB'000*
Assets		
Non-current assets	**202,080**	185,212
Current assets	**130,419**	164,201
	332,499	349,413
Liabilities		
Non-current liabilities	**10,269**	7,679
Current liabilities	**175,028**	194,346
	185,297	202,025
Net assets	**147,202**	147,388
Turnover	**229,341**	281,274
Expense	**44,880**	41,533
(Loss) profit for the year	**(11,386)**	7,850

There are no material contingent liabilities and commitments relating to the Group's interests in the jointly controlled entities.

Particulars of the Group's principal jointly controlled entities are set out in Note 59(b).

28. INTERESTS IN ASSOCIATES

	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*
			(Restated)
Cost of investments in associates			
– Unlisted equity interests in the PRC	**1,129,233**	1,009,576	1,006,603
Share of post-acquisition profits and other comprehensive income, net of dividends	**264,673**	257,234	131,244
	1,393,906	1,266,810	1,137,847

(a) Summarised audited financial information in respect of the Group's associates is set out below:

	2012	2011
	RMB'000	*RMB'000*
Total assets	**5,328,359**	5,235,595
Total liabilities	**(2,368,710)**	(2,396,420)
Net assets	**2,959,649**	2,839,175
Group's share of net assets of associates	**1,393,906**	1,266,810
Revenue	**2,320,420**	2,860,121
Profit for the year	**9,189**	323,739
Group's share of profits and other comprehensive income of associates for the year	**7,365**	129,737

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Measured at fair value			
Listed equity securities in PRC	**2,131,214**	2,191,004	271,287
Unlisted equity securities in PRC	**–**	–	2,148,746
	2,131,214	2,191,004	2,420,033
Measured at cost			
Unlisted equity securities in PRC	**254,649**	259,757	263,240
Less: Impairment loss recognised	**(103,238)**	(104,510)	(104,510)
	151,411	155,247	158,730
	2,282,625	2,346,251	2,578,763

(a) The listed equity investments are measured at fair value.

(b) Included in the unlisted equity investments at cost are investments with net carrying amount of approximately RMB151,411,000 (2011: RMB155,247,000), after accumulated impairment loss of approximately RMB103,238,000 (2011: RMB104,510,000), measured at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. As at 31 December 2012, approximately RMB1,728,000 (2011: nil) of the Group's unlisted equity investments were individually determined to be impaired on the basis of cessation of business of a unlisted Company which equity securities being included in the unlisted equity investments at cost.

(c) As at 1 January 2011, included in unlisted equity securities are investments in unlisted domestic shares in BBMG Corporation, a company listed on the Shanghai Stock Exchange. The Group's investments in the domestic shares became listed on 1 March 2011.

(d) During the year ended 31 December 2012 and 2011, unlisted equity securities with a net carrying amount of approximately RMB2,108,000 (2011: RMB19,732,000) were disposed of and resulted in a gain of approximately RMB2,873,000 (2011: loss on disposal of RMB2,825,000).

(e) All available-for-sale financial assets are denominated in RMB.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current		Non-current	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivative financial assets				
– Foreign currency forward contracts	**4,708**	3,165	**–**	–
Derivative financial liabilities				
– Foreign currency forward contracts	**657**	138	**–**	775

As at 31 December 2012, major terms of the foreign currency forward contracts are as follows:

Notional amounts	Maturities	Exchange rates
Sell US$4,000,000	6 January 2013	RMB6.4190: US$1
Sell US$10,000,000	31 January 2013	RMB6.4311: US$1
Sell US$1,000,000	28 February 2013	RMB6.4351: US$1
Sell US$2,000,000	1 April 2013	RMB6.4436: US$1
Sell US$3,000,000	31 December 2013	RMB6.5111: US$1
Sell US$1,000,000	27 March 2013	RMB6.4313: US$1
Sell US$1,000,000	27 March 2013	RMB6.4376: US$1
Sell US$1,000,000	26 April 2013	RMB6.4440: US$1
Sell US$10,000,000	24 May 2013	RMB6.3035: US$1
Sell US$1,000,000	29 May 2013	RMB6.4534: US$1
Sell US$4,000,000	21 June 2013	RMB6.3080: US$1
Sell US$1,000,000	27 June 2013	RMB6.4604: US$1
Sell US$1,000,000	29 July 2013	RMB6.4684: US$1
Sell US$1,000,000	29 August 2013	RMB6.4764: US$1
Sell US$1,000,000	30 September 2013	RMB6.4769: US$1
Sell US$1,000,000	31 October 2013	RMB6.4857: US$1
Sell US$1,000,000	29 November 2013	RMB6.4940: US$1
Sell US$1,000,000	23 December 2013	RMB6.5007: US$1
Sell EURO1,000,000	8 January 2013	US$1.3010: EURO1
Sell EURO1,000,000	5 February 2013	US$1.3010: EURO1
Sell EURO1,000,000	5 March 2013	US$1.3010: EURO1
Buy US$1,000,000	30 January 2013	RMB6.2281: US$1
Buy US$1,000,000	27 February 2013	RMB6.2148: US$1
Buy US$1,000,000	28 March 2013	RMB6.2015: US$1
Buy US$1,000,000	29 April 2013	RMB6.1881: US$1
Buy US$1,000,000	30 May 2013	RMB6.1748: US$1
Buy US$1,000,000	27 June 2013	RMB6.1628: US$1
Buy US$1,000,000	30 July 2013	RMB6.1508: US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2011, major terms of the foreign currency forward contracts were as follows:

Notional amounts	Maturities	Exchange rates
Sell US$10,000,000	31 January 2012	RMB6.4860: US$1
Sell US$10,000,000	29 February 2012	RMB6.4920: US$1
Sell US$10,000,000	26 March 2012	RMB6.4800: US$1
Buy US$1,000,000	25 January 2012	RMB6.3407: US$1
Buy US$1,000,000	22 February 2012	RMB6.3262: US$1
Buy US$1,000,000	23 March 2012	RMB6.3136: US$1
Buy US$1,000,000	23 April 2012	RMB6.3005: US$1
Buy US$1,000,000	30 May 2012	RMB6.3300: US$1
Buy US$1,000,000	25 June 2012	RMB6.3188: US$1
Buy US$1,000,000	26 July 2012	RMB6.3090: US$1
Buy US$1,000,000	30 August 2012	RMB6.2968: US$1
Buy US$1,000,000	24 September 2012	RMB6.2828: US$1
Buy US$1,000,000	29 October 2012	RMB6.2688: US$1
Buy US$1,000,000	28 November 2012	RMB6.2548: US$1
Buy US$1,000,000	20 December 2012	RMB6.2415: US$1
Buy US$1,000,000	30 January 2013	RMB6.2281: US$1
Buy US$1,000,000	27 February 2013	RMB6.2148: US$1
Buy US$1,000,000	28 March 2013	RMB6.2015: US$1
Buy US$1,000,000	29 April 2013	RMB6.1881: US$1
Buy US$1,000,000	30 May 2013	RMB6.1748: US$1
Buy US$1,000,000	27 June 2013	RMB6.1628: US$1
Buy US$1,000,000	30 July 2013	RMB6.1508: US$1

31. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

Balance as at 31 December 2011 of RMB101,400,000 represents a non-refundable deposit paid by Qilianshan Co., a non-wholly owned subsidiary of the Group for the acquisition of 65% equity interests in Xiahe Anduo pursuant to a framework agreement signed on 27 October 2011.

The acquisition on Xiahe Anduo has been completed on 1 March 2012. Details of the acquisition are set out in Note 50(a)(ii).

32. INVENTORIES

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
Raw materials	**2,382,959**	2,337,761	1,836,927
Work-in-progress	**2,931,623**	2,717,592	1,662,250
Finished goods	**3,116,916**	3,101,969	1,862,083
	8,431,498	8,157,322	5,361,260

During the year ended 31 December 2012, reversal of allowance of inventories of approximately RMB10,534,000 (2011: RMB9,150,000) has been recognised as the corresponding inventories were either sold or used.

33. TRADE AND OTHER RECEIVABLES

	31 December 2012 **RMB'000**	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Trade receivables and retentions			
Trade and bills receivables	**11,336,863**	9,285,069	5,699,078
Retentions	**115,615**	122,691	97,893
	11,452,478	9,407,760	5,796,971
Less: Impairment loss recognised	**(1,055,389)**	(767,167)	(549,032)
Trade receivables and retentions, net	**10,397,089**	8,640,593	5,247,939
Loan receivables			
Loan receivables *(Note g)*	**105,000**	102,199	92,115
Less: Impairment loss recognised	**(46,448)**	(41,875)	(35,674)
Loan receivables, net	**58,552**	60,324	56,441
Prepayments to suppliers and subcontractors			
Prepayments to suppliers and subcontractors *(Note f)*	**5,247,355**	6,024,215	4,360,839
Less: Impairment loss recognised	**(413,670)**	(104,994)	(96,338)
Prepayments to suppliers and subcontractors, net	**4,833,685**	5,919,221	4,264,501
Staff advances	**74,675**	76,969	115,141
Deposits	**76,797**	65,816	106,026
Other receivables	**1,287,300**	1,001,506	725,458
	1,438,772	1,144,291	946,625
Total trade and other receivables	**16,728,098**	15,764,429	10,515,506
Less: Non-current portion			
Retentions	**(84,132)**	(75,846)	(72,170)
Current portion	**16,643,966**	15,688,583	10,443,336

The Group does not hold any collateral over these balances.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis of the Group's trade receivables and retentions net of impairment loss at the end of the reporting period presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Less than 6 months	**8,483,999**	7,022,603	4,153,626
6 months to 1 year	**1,298,553**	965,171	608,648
1 year to 2 years	**489,127**	469,503	298,711
2 years to 3 years	**109,515**	142,648	133,303
Over 3 years	**15,895**	40,668	53,651
	10,397,089	8,640,593	5,247,939

Settlement of trade receivables and retentions generated through engineering and construction services is made in accordance with the terms specified in the contracts governing the relevant transactions, among which retentions are generally settled within one to two years after completion of corresponding services. The Group allows credit period ranging from 30 to 365 days to its trade and construction customers.

(b) As at 31 December 2012, RMB811,259,000 (2011: RMB766,941,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
Less than 6 months	**23,399**	73,234	95,601
6 months to 1 year	**367,260**	146,467	199,124
1 year to 2 years	**321,179**	396,277	225,745
2 years to 3 years	**92,068**	128,285	128,752
Over 3 years	**7,353**	22,678	52,862
	811,259	766,941	702,084

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2012 **RMB'000**	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
RMB	**15,522,882**	14,825,857	9,639,151
US$	**498,003**	386,014	328,761
EUR	**238,994**	210,769	252,618
ALL	**64,350**	53,945	64,249
SAR	**175,550**	129,427	97,849
AZN	**65,299**	67,210	75,862
IQD	**132,263**	–	–
Others	**30,757**	91,207	57,016
	16,728,098	15,764,429	10,515,506

(d) Movement on the impairment loss of trade receivables is as follows:

	2012 **RMB'000**	2011 RMB'000
At 1 January	**767,167**	549,032
Impairment loss recognised	**334,553**	248,603
Receivables written off as uncollectible	**(46,331)**	(30,468)
At 31 December	**1,055,389**	767,167

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB1,055,389,000 (2011: RMB767,167,000). The individually impaired receivables mainly related to customers that are in unexpected difficult economic situations or of poor credit history and the balances also included the impairment of approximately RMB69,500,000 provided for the consideration receivables for disposal of Taian City Electric Power Co., Ltd. ("Taian Electric") as stated in Note 52a(ii). The factors considered by management in determining the impairment are described in Note 7.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) During the year ended 31 December 2012, Sinoma Equipment & Engineering Corp., Ltd. ("Sinoma E&E"), a subsidiary of the Company have entered into certain steel trading agreements with Baotou Industrial Group Co., Ltd. and its related companies ("Baotou Group") and there is doubt for Baotou Group to execute the contractual obligations. On 21 January 2013, Sinoma E&E filed two civil actions to Beijing First Intermediate People's Court (the "Court") to claim the overdue prepayment from Baotou Group amount of approximately RMB422,182,000 together with the liquidated damages.

On 12 March 2013, Baotou Group signed a settlement agreement with Sinoma E&E under the judgment of the Court. Accordingly to the settlement agreement, Baotou Group agreed to settle the overdue prepayment by cash of approximately RMB151,187,000, by contract deposits paid of approximately of RMB83,759,000 and by transfer of certain properties held by Baotou Group with fair value approximately of RMB200,801,000. According to the settlement agreement and legal opinion, the cash payment will be fully settled before 12 September 2013 and the transfer of properties will be finished before 12 March 2014. The directors of the Company believe that the balances do not have recoverability problem.

Details of the above were set out in the Company's announcement dated 20 December 2012, 22 January 2013 and 14 March 2013.

(f) Movement on the impairment loss of prepayments to suppliers and subcontractors and other receivables is as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**104,994**	96,338
Impairment loss recognised	**329,341**	31,188
Receivables written off as uncollectible	**(20,665)**	(22,532)
At 31 December	**413,670**	104,994

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB413,670,000 (2011: RMB104,994,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

33. TRADE AND OTHER RECEIVABLES *(Continued)*

(g) Movement on the impairment loss of loan receivables is as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**41,875**	35,674
Impairment loss recognised	**4,573**	6,201
At 31 December	**46,448**	41,875

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB46,448,000 (2011: RMB41,875,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

(h) For the year ended 31 December 2012, the interest bearing loan receivables amounted to RMB21,500,000 (2011: RMB19,000,000) bear interest ranging from 5.31% to 6.95% (2011: 5.31% to 6.95%). The remaining loan receivables amounted RMB83,500,000 (2011: RMB83,199,000) are non-interest bearing. The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

34. CONTRACT WORK-IN-PROGRESS

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**50,181,815**	43,249,815
Less: Progress billings	**(49,911,789)**	(43,040,037)
Contract work-in-progress	**270,026**	209,778
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**562,674**	341,073
Amounts due to customers for contract work	**(292,648)**	(131,295)
	270,026	209,778
Contract revenue recognised as turnover	**12,453,866**	12,578,639

34. CONTRACT WORK-IN-PROGRESS *(Continued)*

Included in the trade and other receivable are retentions due from customers for contract works of approximately RMB115,615,000 (2011: RMB122,691,000).

Included in the trade and other payables are advances received from customers for contract works of approximately RMB6,797,200,000 (2011: RMB5,375,797,000).

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

During the year ended 31 December 2012, foreseeable losses on construction contracts of approximately RMB55,298,000 (2011: RMB123,426,000) have been recognised in the consolidation income statement.

35. RESTRICTED BANK BALANCES

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
RMB	**1,930,510**	1,904,211	1,246,915
US$	**5,276**	10,809	5,764
EUR	**29,651**	3,095	4,966
Others	**3,869**	928	95
	1,969,306	1,919,043	1,257,740

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB25,950,000 (2011: RMB133,187,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2012, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, ranged from 0.36% to 3.25% (2011: 0.36% to 3.10%) per annum.

36. BANK BALANCES AND CASH

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Cash at bank and in hand	**6,749,226**	7,851,929	8,642,982
Bank deposits			
– Term deposits	**1,512,244**	1,405,180	3,235,833
– Other bank deposits	**925,170**	943,129	1,414,314
	2,437,414	2,348,309	4,650,147
Cash and cash equivalents	**9,186,640**	10,200,238	13,293,129

(a) The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
RMB	**7,668,560**	9,451,599	12,051,523
US$	**782,669**	252,541	415,851
EUR	**513,440**	214,546	481,924
ZAR	**47,481**	26,182	80,439
EGP	**31,322**	8,434	72,658
VND	**21,510**	30,670	36,101
NGN	**349**	12,095	24,511
SAR	**23,003**	62,718	18,656
SYP	**513**	4,113	12,934
OMR	**560**	227	9,815
XOF	**30,922**	2,856	8,881
MYR	**13,348**	63,389	7,126
YER	**8**	191	5,216
IQD	**1,057**	45,873	5,006
AED	**–**	964	3,614
AZN	**9,293**	6,654	1,593
ALL	**40**	377	699
Others	**42,565**	16,809	56,582
	9,186,640	10,200,238	13,293,129

36. BANK BALANCES AND CASH (CONTINUED)

(b) As at 31 December 2012, the fixed interest rate on term deposits with initial terms over three months ranged from 2.60% to 5.10% (2011: 2.25% to 5.50%) per annum.

As at 31 December 2012, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months ranged from 2.60% to 2.85% (2011: 2.25% to 3.10%) per annum.

(c) Cash at bank denominated in RMB are deposited with banks in the PRC at the prevailing market rate. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

37. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATES WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 December 2011, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") for the disposal of the Group's entire 100% equity interests in Taian Electric, a wholly-owned subsidiary of the Company for a cash consideration of RMB270,000,000.

The sale of Taian Electric was completed on 10 September 2012.

The following amounts represent the assets and liabilities of Taian Electric as at 31 December 2011, which are presented separately in the consolidated statement of financial position at 31 December 2011.

	2011 *RMB'000*
Assets	
Property, plant and equipment	87,470
Prepaid lease payments	15,365
Inventories	8,839
Trade and other receivables	825
Bank balances and cash	4,927
	117,426
Liabilities	
Trade and other payables	10,886
Income tax liabilities	1,152
	12,038

38. TRADE AND OTHER PAYABLES

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Trade payables	**13,640,430**	12,324,469	9,258,382
Deposits, advances, accruals and other payables			
Prepayment from customers	**8,994,563**	8,160,745	9,394,444
Accrued payroll and welfare	**418,135**	451,490	349,432
Accrued social security costs	**276,594**	284,750	247,610
Other taxes	**325,437**	325,815	270,661
Accrued expenses	**289,752**	277,967	221,180
Deposits payable	**170,340**	153,802	183,071
Dividends payable to non-controlling interests by subsidiaries	**159,829**	112,825	79,422
Other payables	**672,221**	658,781	818,968
	11,306,871	10,426,175	11,564,788
Total trade and other payables	**24,947,301**	22,750,644	20,823,170
Less: Non-current portion:			
Accrued payroll and welfare	**4,645**	4,120	1,197
Current portion	**24,942,656**	22,746,524	20,821,973

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date are as follows:

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
Within 6 months	**10,771,749**	8,071,656	4,852,409
6 months to 1 year	**2,159,367**	2,163,733	2,456,338
1 year to 2 years	**512,732**	1,703,385	1,634,339
2 years to 3 years	**96,333**	228,636	147,806
Over 3 years	**100,249**	157,059	167,490
	13,640,430	12,324,469	9,258,382

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

38. TRADE AND OTHER PAYABLES *(Continued)*

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	31 December 2012 **RMB'000**	31 December 2011 *RMB'000* (Restated)	1 January 2011 *RMB'000* (Restated)
RMB	**23,218,402**	21,688,541	19,662,244
US$	**1,436,534**	377,520	391,033
EUR	**289,516**	557,818	597,602
HK$	**2,849**	–	–
NGN	**–**	27,746	27,693
ALL	**–**	14,524	10,446
AZN	**–**	9,530	9,634
ZAR	**–**	63,935	77,149
Others	**–**	11,030	47,369
	24,947,301	22,750,644	20,823,170

(c) Non-current portion of accrued payroll and welfare represents the portion of accrued employee housing allowances, payable to employees over their years of service to the Group, expected to be settled over one year from the end of the reporting period.

39. SHORT-TERM FINANCING BILLS

	31 December 2012 **RMB'000**	31 December 2011 *RMB'000*
Short-term financing bills	**400,000**	800,000

On 25 March 2011, Qilianshan Co. issued a one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interests rate of 5.10% per annum and the principal together with the interest thereon were repaid on maturity of the bills during the year ended 31 December 2012.

On 14 November 2011, Tianshan Cement issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.86% per annum and the principal together with the interest thereon were repaid on maturity of the bills during the year ended 31 December 2012.

On 24 July 2012, Tianshan Cement issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.29% per annum and the principal together with the interest thereon is payable on maturity of the bills.

40. BORROWINGS

	31 December 2012 ***RMB'000***	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
Bank borrowing			
– Secured	**1,849,399**	1,568,204	1,680,332
– Unsecured	**21,101,731**	18,862,008	15,979,040
	22,951,130	20,430,212	17,659,372
Other borrowing			
– Secured	**–**	2,000	2,000
– Unsecured	**2,198,012**	2,819,195	1,060,560
	2,198,012	2,821,195	1,062,560
Total borrowing	**25,149,142**	23,251,407	18,721,932
Non-current			
Long-term bank borrowings			
– Secured *(Note a)*	**917,590**	771,464	1,237,746
– Unsecured	**7,218,061**	8,824,460	9,262,561
	8,135,651	9,595,924	10,500,307
Other borrowings			
– Secured *(Note a)*	**–**	2,000	2,000
– Unsecured	**1,144,948**	43,079	41,436
	1,144,948	45,079	43,436
Total non-current borrowings	**9,280,599**	9,641,003	10,543,743
Current			
Current portion of long-term bank borrowings			
– Secured *(Note a)*	**238,879**	205,000	39,416
– Unsecured	**2,478,211**	1,085,100	696,504
	2,717,090	1,290,100	735,920
Short-term bank borrowings			
– Secured *(Note a)*	**692,930**	591,740	403,170
– Unsecured	**11,405,459**	8,952,449	6,019,975
	12,098,389	9,544,189	6,423,145
Other borrowings			
– Secured *(Note a)*	**–**	–	–
– Unsecured	**1,053,064**	2,776,115	1,019,124
	1,053,064	2,776,115	1,019,124
Total current borrowings	**15,868,543**	13,610,404	8,178,189
Total borrowings	**25,149,142**	23,251,407	18,721,932

40. BORROWINGS *(Continued)*

Notes:

(a) Secured borrowings of the Group as at 31 December 2012 and 2011 were secured by the Group's property, plant and equipment (Note 21) and prepaid lease payments (Note 22).

(b) The exposure of borrowings to interest rate changes is as follows:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
Fixed-rate borrowings	**9,840,058**	9,588,787	8,897,598
Variable-rate borrowings	**15,309,084**	13,662,620	9,824,334
	25,149,142	23,251,407	18,721,932

(c) The maturities of total borrowings are set out as follows:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
Within 1 year	**15,868,543**	13,610,404	8,178,189
1 year to 2 years	**3,946,945**	2,188,767	3,778,543
2 years to 5 years	**4,646,501**	5,078,290	4,809,423
Wholly repayable within 5 years	**24,461,989**	20,877,461	16,766,155
Over 5 years	**687,153**	2,373,946	1,955,777
	25,149,142	23,251,407	18,721,932

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*	1 January 2011 *RMB'000*
RMB	**24,990,119**	22,921,010	18,541,028
US$	**159,023**	330,397	180,904
	25,149,142	23,251,407	18,721,932

40. BORROWINGS *(Continued)*

(e) Certain borrowings of the Group are guaranteed by other state-owned enterprises and independent third parties. The amounts of the guarantees provided by other state-owned enterprises and independent third parties to the Group at the end of the reporting period are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by:			
Other state-owned enterprises	**20,000**	20,000	–
Independent third parties	**517,300**	691,120	703,210
	537,300	711,120	703,210

(f) The weighted average effective interest rates (per annum) at the end of the respective reporting periods are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings			
– RMB	**6.39%**	6.53%	5.07%
– US$	**3.73%**	3.40%	2.75%
Other borrowings			
– RMB	**5.80%**	5.38%	4.74%

(g) The undrawn borrowing facilities are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RMB'000	*RMB'000*	*RMB'000*
Floating rate			
– Expiring within 1 year	**11,883,820**	14,985,655	8,411,991
– Expiring beyond 1 year	**10,166,833**	8,730,422	5,869,675
Fixed rate			
– Expiring within 1 year	**9,037,202**	6,587,001	1,817,354
– Expiring beyond 1 year	**85,000**	327,000	799,500
	31,172,855	30,630,078	16,898,520

41. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

The Group operates unfunded defined benefit plan for qualifying former employees. The Group paid supplemental pension subsidies or pension contributions to its retired employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in China who leave the Group after 31 December 2006.

The amounts of early retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are as follows:

	2012	2011
	RMB'000	*RMB'000*
Total liability in the consolidated statement of financial position	**334,353**	346,019
Less: Current portion	**(49,114)**	(44,525)
	285,239	301,494

The movements of early retirement and supplemental benefit obligations are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**346,019**	352,440
For the year		
– Interest cost *(Note 17)* (included in administrative expenses)	**11,974**	11,738
– Actuarial losses *(Note 17)* (included in administrative expenses)	**25,474**	26,366
	37,448	38,104
– Payments	**(49,114)**	(44,525)
At 31 December	**334,353**	346,019

41. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

The above obligations were determined based on actuarial valuations performed by an independent and qualified actuarial firm, Mercer Consulting (China) Limited, using the projected unit credit method. The material actuarial assumptions used in valuing these obligations are as follows:

(a) Discount rates adopted (per annum):

	2012	2011
Discount rates	**3.6%**	3.6%

The discount rates used to calculate the actuarial gains and losses and any differences were charged to the consolidated income statement;

(b) Early-retirees' and retirees' supplemental pension subsidies increase rate: 0%-1% (2011: 0%-1%);

(c) Early-retirees' and retirees' (where applicable) pension contributions increase rate: 5% (2011: 5%), depending on whether the pension contributions are subject to the change of the minimum social security contribution stipulated by the government;

(d) Medical cost trend rate: 6% (2011: 6%);

(e) Mortality: Average life expectancy of residents in the PRC; and

(f) Medical costs paid to certain early-retirees' and retirees' are assumed to continue until the death of the retirees.

Sensitivity analysis:

As at 31 December 2012, an increase or decrease of one percentage point in the assumed trend rates will cause the current service cost and interest cost components of the net periodic post-employment medical costs, collectively, to increase by approximately RMB108,000 (2011: RMB110,000) and decrease by approximately RMB92,000 (2011: RMB93,000) respectively. The effect on the accumulated post-employment benefit obligation for medical costs will also increase by approximately RMB3,314,000 (2011: RMB2,991,000) and decrease by approximately RMB2,806,000 (2011: RMB2,550,000) respectively.

42. CASH-SETTLED SHARE-BASED PAYMENTS

The Group implemented a share appreciation rights scheme to motivate and award the senior management team and other key members of the Company. Under this share appreciation rights scheme, share appreciation rights are granted in units representing one H share. No share will be issued under the share appreciation rights scheme. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the share appreciation rights over the applicable vesting period.

The share appreciation rights scheme was approved at the second extraordinary general meeting held on 22 October 2010. On 13 December 2010, 4,130,000 units of the share appreciation rights scheme with a vesting period of two years were granted to sixteen senior officers, including five directors and eleven senior management members, at an exercise price of RMB5.17 per unit. On 22 December 2010, Mr. Zhou Yuxian, executive director, resigned and his related right of acquiring 300,000 units of the share appreciation rights were voided under the share appreciation rights scheme. Under the terms of this grant, all share appreciation rights had a contractual life of seven years from the date of grant. A recipient of share appreciation rights may not exercise the rights in the first twenty four months after the date of grant. As at each of the second, third and fourth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total share appreciation rights granted to such person. The total amounts paid in cash as a result of the Company's market price being higher that the exercise price of the share appreciation rights shall not exceed 40% of the salaries level of those grantees accessed at the date of grant. The share appreciation rights which have not been exercised after the expiration of the term of the scheme shall lapse.

On 2 September 2012, Mr. Tan Zhongming, executive director of the Company was deceased and his related right of acquiring 350,000 units of the share appreciation rights were voided under the share appreciation rights scheme. During the year ended 31 December 2012, no share appreciation rights granted was exercised or expired. As at 31 December 2012, the expiry date of the outstanding share appreciation rights is five years.

For the year ended 31 December 2012, the Group has reversed expenses of approximately RMB459,000 (2011: recorded expenses of approximately RMB1,127,000) and with liabilities balances of RMB984,000 (2011: RMB1,443,000) related to the share appreciation rights. The fair value of share appreciation rights is determined using the Black-Scholes pricing model with expected volatility of 50% (2011: 50%), risk free rate of 3.30% (2011: 3.04%) and dividend yield of 1% (2011: 1%). The share appreciation rights liability was recorded in accrued payroll and welfare in trade and other payables and administrative expenses.

43. PROVISIONS

	2012	2011
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current liabilities	**44,788**	44,874
Current liabilities	**48,724**	41,398
	93,512	86,272

	Provision for litigation	**Warranties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note i)	*(Note ii)*	
At 1 January 2011	27,780	39,198	66,978
Additional provision recognised	–	28,693	28,693
Utilised during the year	–	(9,399)	(9,399)
At 31 December 2011 and 1 January 2012	27,780	58,492	86,272
Additional provision recognised	–	28,710	28,710
Utilised during the year	–	(21,470)	(21,470)
At 31 December 2012	27,780	65,732	93,512

Notes:

(i) Provision for litigation is made based on management's best estimates and judgment, as described in Note 7 above. As at 31 December 2012, the litigation is still pending for final court judgement.

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Groups' obligations for warranties under the sale contracts. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

44. CORPORATE BONDS

	2012	2011
	RMB'000	*RMB'000*
Corporate bonds, at amortised cost	**2,490,239**	2,487,829

On 31 July 2009, the Company issued seven-year corporate bonds of face value of RMB2,500,000,000 in the PRC capital market. The corporate bonds bear a fixed interest rate of 5.40% per annum and the interest is paid annually.

The corporate bonds are denominated in RMB. The effective interest rate of the corporate bonds is 5.52% per annum.

45. MEDIUM-TERM NOTES

	2012	2011
	RMB'000	*RMB'000*
Medium-term notes, at amortised cost	**5,253,610**	4,352,670

The medium-term notes are denominated in RMB and the details are as follow:

Date of issue	**Principal** *(RMB'000)*	**Term**	**Contractual interest rate**	**Interest payment**	**Effective interest rate**
10 March 2010	1,700,000	5 years	4.48% per annum	Annually	4.48%
21 April 2011	660,000	5 years	6.16% per annum	Annually	6.41%
20 October 2011	500,000	5 years	7.00% per annum	Annually	7.00%
25 October 2011	700,000	5 years	7.99% per annum	Annually	7.99%
24 November 2011	800,000	5 years	5.83% per annum	Annually	5.89%
14 August 2012	900,000	5 years	5.61% per annum	Annually	5.63%

46. DEFERRED INCOME

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Government grants relating to land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	86,110	118,075	79,089	283,274
Additions	113,948	167,655	48,773	330,376
Attributable to acquisition of subsidiaries	8,249	–	–	8,249
Utilised/amortised during the year	(95,076)	(66,812)	(13,529)	(175,417)
At 31 December 2011 and 1 January 2012	113,231	218,918	114,333	446,482
Additions	290,293	89,223	68,390	447,906
Utilised/amortised during the year	(108,719)	(79,072)	(17,694)	(205,485)
At 31 December 2012	**294,805**	**229,069**	**165,029**	**688,903**

During the year ended 31 December 2012, the Group received government grants of approximately RMB290,293,000 (2011: RMB113,948,000) towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to income in the current year of approximately RMB108,719,000 (2011: RMB95,076,000). As at 31 December 2012, an amount of approximately RMB294,805,000 (2011: RMB113,231,000) remains unutilised.

During the year ended 31 December 2012, the Group received government grants of approximately RMB157,613,000 (2011: RMB216,428,000) towards the cost of construction of property, plant and equipment and acquisition of land use rights. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately RMB96,766,000 (2011: RMB80,341,000). As at 31 December 2012, an amount of approximately RMB394,098,000 (2011: RMB333,251,000) remains unamortised.

47. DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during the year are as follows:

(a) Deferred income tax assets

	Provision for impairment of assets	Assets revaluation surplus during the Reorganisation	Tax losses	Deferred income arising from government grants	Unrealised profit on inter-company transactions	Provision for early retirement and supplemental benefit obligations	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, as originally reported	212,991	4,997	5,950	22,535	67,439	47,731	85,933	447,576
Effect of adopting merger accounting for common control combination	20	–	–	–	–	–	56	76
At 1 January 2011 (restated)	213,011	4,997	5,950	22,535	67,439	47,731	85,989	447,652
Acquisition of subsidiaries	5,464	–	–	–	–	–	628	6,092
Eliminated on disposal of a subsidiary	(200)	–	–	–	–	–	–	(200)
Credited (charged) to the consolidated income statement	27,055	1,435	7,764	(4,058)	97,929	12,943	(3,290)	139,778
Effect of changes in tax rates	1,084	–	–	–	–	–	–	1,084
At 31 December 2011 and 1 January 2012 (restated)	246,414	6,432	13,714	18,477	165,368	60,674	83,327	594,406
Acquisition of subsidiaries	1,750	–	–	–	–	–	–	1,750
Eliminated on disposal of a subsidiary	(9,431)	–	–	–	–	–	–	(9,431)
Credited (charged) to the consolidated income statement	59,220	(254)	149	10,461	57,949	(9,434)	3,340	121,431
Effect of changes in tax rates	(4,463)	–	–	–	–	–	–	(4,463)
At 31 December 2012	293,490	6,178	13,863	28,938	223,317	51,240	86,667	703,693

47. DEFERRED INCOME TAX *(Continued)*

(b) Deferred income tax liabilities

	Assets revaluation surplus in business combinations	Borrowings reassessed in debt restructurings	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, as originally reported	254,662	3,276	475,370	733,308
Effect of adopting merger accounting for common control combination	16,261	–	–	16,261
At 1 January 2011 (restated)	270,923	3,276	475,370	749,569
Attributable to acquisition of subsidiaries	3,060	–	–	3,060
Credited to other comprehensive income	–	–	(47,912)	(47,912)
Credited to consolidated income statement	(14,342)	(634)	–	(14,976)
At 31 December 2011 and 1 January 2012 (restated)	259,641	2,642	427,458	689,741
Attributable to acquisition of subsidiaries	39,078	–	–	39,078
Credited to other comprehensive income	–	–	(16,245)	(16,245)
Credited to consolidated income statement	(33,794)	(304)	–	(34,098)
At 31 December 2012	264,925	2,338	411,213	678,476

47. DEFERRED INCOME TAX *(Continued)*

(c) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, a deferred tax asset has been recognised in respect of RMB85,977,000 (2011: RMB82,657,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses amounting to approximately RMB1,067,075,000 (2011: RMB768,190,000), as management believes it is more likely than not that such tax losses would not be realised before they expire. The expiry of the tax losses for which no deferred income tax assets were recognised are analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**50,011**	18,830
Between 1 to 2 years	**47,625**	75,078
Between 2 to 3 years	**210,412**	47,625
Between 3 to 4 years	**416,245**	210,412
Between 4 to 5 years	**342,782**	416,245
	1,067,075	768,190

48. SHARE CAPITAL

	Unlisted domestic shares		**Unlisted foreign shares**		**H Shares**		**Total**	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid:								
1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

49. RESERVES

Safety fund

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**86,666**	70,623
Safety fund set aside	**77,666**	54,437
Utilisation of safety fund	**(49,951)**	(38,394)
At 31 December	**114,381**	86,666

Foreign exchange reserve

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**(12,523)**	274
Exchange differences arising on translation	**(5,663)**	(12,797)
At 31 December	**(18,186)**	(12,523)

Investment revaluation reserve

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**1,255,685**	1,390,727
Loss on fair value changes of available-for-sale financial assets	**(68,160)**	(174,849)
Deferred income tax arising on fair value changes of available-for-sale financial assets	**17,501**	39,807
At 31 December	**1,205,026**	1,255,685

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the year ended 31 December 2012

(i) Pingluo Golden

On 1 January 2012, the Group acquired 100% equity interests in Pingluo Golden from independent third parties for an aggregate cash consideration of approximately RMB56,305,000. Pingluo Golden is principally engaged in the production and sales of commercial concrete and was acquired so as to expand the production of commercial concrete of the Group. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	52,044
Other payables	4,261
	56,305

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	71,492
Prepaid lease payments	4,958
Inventories	1,242
Trade and other receivables	6,620
Bank balances and cash	2
Income tax receivables	197
Trade and other payables	(28,550)
	55,961

The fair value of trade and other receivables at the date of acquisition amounted to RMB6,620,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,620,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(i) Pingluo Golden *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	56,305
Less: net assets acquired	(55,961)
Goodwill arising on acquisition	344

Goodwill arose in the acquisition of Pingluo Golden because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Pingluo Golden. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Pingluo Golden

	RMB'000
Cash consideration paid	(52,044)
Cash and cash equivalents acquired	2
	(52,042)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB4,084,000 attributable to the additional business generated by Pingluo Golden. Turnover for the year includes approximately RMB88,436,000 generated from Pingluo Golden.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(ii) Xiahe Anduo

On 1 March 2012, the Group acquired 65% equity interests in Xiahe Anduo from an independent third party for an aggregate cash consideration of approximately RMB340,725,000. Xiahe Anduo is principally engaged in the production and the selling of cement and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	324,113
Other payables	16,612
	340,725

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	468,962
Prepaid lease payments	40,027
Mining right	15,524
Inventories	57,099
Trade and other receivables	29,703
Bank balances and cash	22,095
Deferred income tax assets	1,750
Other current assets	45
Trade and other payables	(157,472)
Dividend payable	(50,757)
Income tax liabilities	(4,319)
Borrowings	(80,000)
Non-current liabilities	(2,909)
Deferred income tax liabilities	(39,078)
	300,670

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(ii) Xiahe Anduo *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to RMB29,703,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB29,703,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	340,725
Plus: non-controlling interests (35% in Xiahe Anduo)	105,235
Less: net assets acquired	(300,670)
Goodwill arising on acquisition	145,290

The non-controlling interest in Xiahe Anduo recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Xiahe Anduo and amounted to RMB105,235,000.

Goodwill arose in the acquisition of Xiahe Anduo because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Xiahe Anduo. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Xiahe Anduo

	RMB'000
Cash consideration paid	(324,113)
Cash and cash equivalents acquired	22,095
	(302,018)
Deposit paid for acquisition in previous years	101,400
	(200,618)

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(ii) Xiahe Anduo *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB38,607,000 attributable to the additional business generated by Xiahe Anduo. Turnover for the year includes approximately RMB286,181,000 generated from Xiahe Anduo.

Had the acquisition of Xiahe Anduo been completed on 1 January 2012, the total amount of turnover of the Group for the year would have been approximately RMB46,277,346,000, and the amount of the profit for the year would have been approximately RMB1,562,786,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Xiahe Anduo been acquired at the beginning of the current year, the directors have:

- calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science")

On 31 May 2012, the Group acquired 100% equity interests in Jiujiang Science from independent third parties for an aggregate cash consideration of approximately RMB31,026,000. Jiujiang Science is principally engaged in the production and sales of industrial cylinders and was acquired so as to continue the expansion of the production of high-pressure composite cylinders. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	31,026

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense in the current year, within the 'administrative expenses' in the unaudited condensed consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	31,752
Prepaid lease payments	12,897
Inventories	18,300
Trade and other receivables	6,461
Bank balances and cash	592
Income tax receivables	442
Trade and other payables	(30,799)
Short term loan	(7,000)
	32,645

The fair value of trade and other receivables at the date of acquisition amounted to RMB6,461,000 approximately. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,461,000 approximately at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Gain on a bargain purchase arising on acquisition:

	RMB'000
Consideration transferred	31,026
Less: net assets acquired	(32,645)
Gain on a bargain purchase arising on acquisition	1,619

The gain on a bargain purchase is attributable to the ability of the Group in negotiating the agreed term of the transaction with the vendor.

None of the gain on bargain purchase arising on this acquisition is expected to be taxable for tax purpose.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science") *(Continued)*

Net cash outflow on acquisition of Jiujiang Science

	RMB'000
Cash consideration paid	(31,026)
Cash and cash equivalents acquired	592
	(30,434)

Impact of acquisition on the results of the Group

Included in the profit for the year is loss amounted to approximately RMB2,043,000 attributable to the additional business generated by Jiujiang Science. Turnover for the year includes approximately RMB35,127,000 generated from Jiujiang Science.

Had the acquisition of Jiujiang Science been completed on 1 January 2012, the total amount of turnover of the Group for the year would have been approximately RMB46,293,742,000, and profit for the year would have been approximately RMB1,558,709,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Jiujiang Science been acquired at the beginning of the current year, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

(iv) Sinomatech (Funing) Wind Power Blade Co., Ltd. ("Sinomatech")

On 1 July 2012, the Group acquired 100% equity interests in Sinomatech from Goldwind Investment Holding Co., Ltd., a related party of a subsidiary, for an aggregate cash consideration of approximately RMB191,266,000. Sinomatech is principally engaged in the production and sales of wind power blade and was acquired so as to continue the expansion of the production of wind power blade business. This acquisition has been accounted for using acquisition method.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(iv) Sinomatech (Funing) Wind Power Blade Co., Ltd. ("Sinomatech") *(Continued)*

Consideration transferred

	RMB'000
Cash	191,266

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense in the current year, within the 'administrative expenses' in the unaudited condensed consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	269,560
Prepaid lease payments	78,597
Inventories	105,784
Trade and other receivables	67,586
Bank balances and cash	46,849
Other current assets	60
Trade and other payables	(274,973)
Income tax liabilities	(102,197)
	191,266

The fair value of trade and other receivables at the date of acquisition amounted to RMB67,586,000 approximately. The gross contractual amounts of those trade and other receivables acquired amounted to RMB67,586,000 approximately at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	191,266
Less: net assets acquired	(191,266)
	–

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(iv) Sinomatech (Funing) Wind Power Blade Co., Ltd. ("Sinomatech") *(Continued)*

Net cash outflow on acquisition of Sinomatech

	RMB'000
Cash consideration paid	(191,266)
Cash and cash equivalents acquired	46,849
	(144,417)

Impact of acquisition on the results of the Group

Included in the profit for the year is loss amounted to approximately RMB3,149,000 attributable to the additional business generated by Sinomatech. Turnover for the year includes approximately RMB145,909,000 generated from Sinomatech.

Had the acquisition of Sinomatech been completed on 1 January 2012, the total amount of turnover of the Group for the year would have been approximately RMB46,314,763,000, and profit for the year would have been approximately RMB1,542,382,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Sinomatech been acquired at the beginning of the current year, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(v) Ningxia Yuhao

On 31 July 2012, the Group acquired 100% equity interests in Ningxia Yuhao from independent third parties for an aggregate cash consideration of approximately RMB11,436,000. Ningxia Yuhao is principally engaged in the production and sales of concrete and was acquired so as to continue the expansion of the production of concrete business. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	836
Other payable	10,600
	11,436

Acquisition-related costs were insignificant and have been excluded for the consideration transferred and have been recognised as an expense in the current year, within the 'administrative expenses' in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	26,034
Inventories	110
Trade and other receivables	645
Trade and other payables	(16,249)
Income tax liabilities	(30)
	10,510

The fair value of trade and other receivables at the date of acquisition amounted to RMB645,000 approximately. The gross contractual amounts of those trade and other receivables acquired amounted to RMB645,000 approximately at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(v) Ningxia Yuhao *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	11,436
Less: net assets acquired	(10,510)
Goodwill arising on acquisition	926

Goodwill arose in the acquisition of Ningxia Yuhao because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ningxia Yuhao. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Ningxia Yuhao

	RMB'000
Cash consideration paid	(836)
Cash and cash equivalents acquired	–
	(836)

Impact of acquisition on the results of the Group

Included in the profit for the year is loss amounted to approximately RMB647,000 attributable to the additional business generated by Ningxia Yuhao. Turnover for the year includes approximately RMB7,298,000 generated from Ningxia Yuhao.

Had the acquisition of Ningxia Yuhao been completed on 1 January 2012, the total amount of turnover of the Group for the year would have been approximately RMB46,274,035,000, and profit for the year would have been approximately RMB1,565,220,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2012 *(Continued)*

(v) Ningxia Yuhao *(Continued)*

In determining the 'pro-forma' turnover and profit of the Group had Ningxia Yuhao been acquired at the beginning of the current year, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

(b) Business combinations for the year ended 31 December 2011

(i) Shandong Shengxin Precious Metal Co., Ltd. ("Shandong Shengxin")

On 1 January 2011, the Group acquired 75% equity interests in Shandong Shengxin from certain independent third parties for an aggregate cash consideration of approximately RMB12,925,000. Shandong Shengxin is principally engaged in the production of glass fiber and was acquired with the objective of improving the supply of glass fiber. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	12,925

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(i) Shandong Shengxin Precious Metal Co., Ltd. ("Shandong Shengxin") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	10,175
Intangible assets	225
Inventories	2,124
Trade and other receivables	6,663
Bank balances and cash	23,419
Trade and other payables	(14,757)
Income tax liabilities	(6,911)
Deferred income	(590)
	20,348
Less: Non-controlling interests attributable to subsidiaries of Shandong Shengxin	(3,115)
	17,233

	RMB'000
Consideration transferred	12,925
Plus: non-controlling interests (25% in Shandong Shengxin)	4,308
Less: net assets acquired	(17,233)
	–

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(i) Shandong Shengxin Precious Metal Co., Ltd. ("Shandong Shengxin") *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to RMB6,663,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB6,663,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

The non-controlling interest in Shandong Shengxin recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shandong Shengxin and amounted to approximately RMB7,423,000.

Net cash inflow on acquisition of Shandong Shengxin

	RMB'000
Cash consideration paid	(12,925)
Cash and cash equivalents acquired	23,419
	10,494

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB2,547,000 attributable to the additional business generated by Shandong Shengxin. Turnover for the year includes approximately RMB15,912,000 generated from Shandong Shengxin.

(ii) Tianshui China

On 1 September 2011, the Group acquired 60% equity interests in Tianshui China from an independent third party for an aggregate cash consideration of approximately RMB15,794,000. Tianshui China is principally engaged in the production of concrete and cement and was acquired so as to continue the expansion of the Group's cement operations. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	15,794

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(ii) Tianshui China *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	37,476
Prepaid lease payments	9,426
Available-for-sale financial assets	12,900
Inventories	10,059
Trade and other receivables	41,305
Bank balances and cash	877
Trade and other payables	(55,174)
Borrowings	(25,500)
Income tax liabilities	(3,683)
Deferred income tax liabilities	(3,033)
	24,653

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	15,794
Plus: non-controlling interest (40% in Tianshui China)	9,861
Less: net assets acquired	(24,653)
Goodwill arising on acquisition	1,002

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB41,305,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB41,305,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

The non-controlling interest in Tianshui China recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Tianshui China and amounted to approximately RMB9,861,000.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(ii) Tianshui China *(Continued)*

Goodwill arose in the acquisition of Tianshui China because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Tianshui China. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Tianshui China

	RMB'000
Cash consideration paid	(15,794)
Cash and cash equivalents acquired	877
	(14,917)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB5,943,000 attributable to the additional business generated by Tianshui China. Turnover for the year includes approximately RMB61,901,000 generated from Tianshui China.

Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been approximately RMB50,763,587,000, and profit for the year would have been approximately RMB3,967,670,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Tianshui China been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(iii) Gansu Gulangxia

On 1 October 2011, the Group acquired 100% equity interests in Gansu Gulangxia from an independent third party for an aggregate cash consideration of approximately RMB62,720,000. Gansu Gulangxia is principally engaged in the production of cement and was acquired so as to continue the expansion of the Group's cement operations. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	62,720

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	91,545
Prepaid lease payments	3,988
Mining rights	68
Deferred income tax assets	6,092
Inventories	13,689
Trade and other receivables	60,257
Bank balances and cash	3,986
Trade and other payables	(108,066)
Borrowings	(5,543)
Income tax liabilities	(2,857)
Deferred income	(7,659)
	55,500

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(iii) Gansu Gulangxia *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	62,720
Less: net assets acquired	(55,500)
Goodwill arising on acquisition	7,220

The fair value of trade and other receivables at the date of acquisition amounted to RMB60,257,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB60,257,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at acquisition date.

Goodwill arose in the acquisition of Gansu Gulangxia because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Gansu Gulangxia. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Gansu Gulangxia

	RMB'000
Cash consideration paid	(62,720)
Cash and cash equivalents acquired	3,986
	(58,734)

Impact of acquisition on the results of the Group

Included in the profit for the year is loss amounted to approximately RMB2,023,000 attributable to the additional business generated by Gansu Gulangxia. Turnover for the year includes approximately RMB10,891,000 generated from Gansu Gulangxia.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(iii) Gansu Gulangxia *(Continued)*

Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been approximately RMB50,758,066,000, and profit for the year would have been approximately RMB3,961,815,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Gansu Gulangxia been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iv) Xinjiang Wujie

On 31 December 2011, the Group acquired 100% equity interests in Xinjiang Wujie from an independent third party for an aggregate cash consideration of approximately RMB850,000. Xinjiang Wujiie is principally engaged in the testing of concrete and cement and was acquired so as to provide testing service for the Group's cement operations. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	850

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as expense in the current year, within the "administrative expenses" in the consolidated income statement.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(iv) Xinjiang Wujie *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	177
Inventories	10
Bank balances and cash	9
Trade and other payables	(18)
Deferred income tax liabilities	(27)
	151

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	850
Less: net assets acquired	(151)
Goodwill arising on acquisition	699

Goodwill arose in the acquisition of Xinjiang Wujie because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Xinjiang Wujie. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

50. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2011 *(Continued)*

(iv) Xinjiang Wujie *(Continued)*

Net cash outflow on acquisition of Xinjiang Wujie

	RMB'000
Cash consideration paid	(850)
Cash and cash equivalents acquired	9
	(841)

Impact of acquisition on the results of the Group

The acquisition of Xinjiang Wujie had no significant contribution to the Group's turnover and profit for the year.

Had the acquisition been completed on 1 January 2011, total turnover of the Group for the year would have been approximately RMB50,702,998,000, and profit for the year would have been approximately RMB3,962,371,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xinjiang Wujie been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions occurred during the year ended 31 December 2012.

(a) On 28 February 2012, Sinoma International Engineering Co. Ltd. ("Sinoma International"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Nanijing Cement Industry Design & Research Institute Co., Ltd. ("Nanjing Cement Institute") at a consideration of approximately RMB125,570,000. The acquisition has been completed on 31 March 2012.

(b) On 28 February 2012, Sinoma (Suzhou) Construction Co., Ltd., a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Sinoma Asset Management (Suzhou) Company Limited ("Suzhou Assets Management") at a consideration of approximately RMB58,122,000. The acquisition has been completed on 31 March 2012.

(c) On 28 February 2012, CBMI Construction Co., Ltd., a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Tangshan Sinoma Property Management Company Limited ("Property Management") at a consideration of approximately RMB14,356,000. The acquisition has been completed on 31 March 2012.

The immediate holding company of Nanjing Cement Institute, Suzhou Assets Management and Property Management (collectively named as the "Acquired Subsidiaries") prior to the acquisition by the Group is Sinoma Group and the aforesaid transactions are regarded as business combinations under common control.

No significant adjustments were made to the net assets and net results of the above entities as a result of the common control combination to achieve consistency of accounting policies.

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

Statements of adjustments for business combinations under common control occurred during the year ended 31 December 2012 on the Group's financial position as at 31 December 2012 and 2011 and 1 January 2011 and the results for the year ended 31 December 2012 and 2011 are summarised as follows:

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2012				
Turnover	46,257,139	15,425	–	46,272,564
Cost of sales	(37,915,769)	(5,763)	–	(37,921,532)
Gross profit	8,341,370	9,662	–	8,351,032
Interest income	169,217	230	–	169,447
Other gains	1,366,833	284	–	1,367,117
Selling and marketing expenses	(1,563,025)	–	–	(1,563,025)
Administrative expenses	(4,520,196)	(12,259)	–	(4,532,455)
Exchange gain	1,687	–	–	1,687
Other expenses	(31,429)	(5)	–	(31,434)
Finance costs	(1,692,448)	–	–	(1,692,448)
Share of results of associates	7,365	–	–	7,365
Profit before tax	2,079,374	(2,088)	–	2,077,286
Income tax expense	(510,332)	(633)	–	(510,965)
Profit for the year	1,569,042	(2,721)	–	1,566,321
Profit for the year attributable to:				
Owners of the Company	476,570	(2,721)	–	473,849
Non-controlling interests	1,092,472	–	–	1,092,472
	1,569,042	(2,721)	–	1,566,321

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012				
Non-current assets				
Property, plant and equipment	41,291,300	1,965	–	41,293,265
Prepaid lease payments	3,422,727	–	–	3,422,727
Investment properties	113,398	59,917	–	173,315
Intangible assets	693,328	73,661	–	766,989
Mining rights	483,087	–	–	483,087
Investment in the Acquisition Subsidiaries	198,048	–	(198,048)	–
Interests in associates	1,391,980	1,926	–	1,393,906
Available-for-sale financial assets	2,282,104	521	–	2,282,625
Trade and other receivables	84,132	–	–	84,132
Other non-current assets	252,728	–	–	252,728
Deferred income tax assets	703,635	58	–	703,693
	50,916,467	138,048	(198,048)	50,856,467
Current assets				
Inventories	8,431,498	–	–	8,431,498
Trade and other receivables	16,643,748	218	–	16,643,966
Amounts due from customers for contract work	562,674	–	–	562,674
Prepaid lease payments	118,871	–	–	118,871
Derivative financial instruments	4,708	–	–	4,708
Other current assets	70,287	–	–	70,287
Restricted bank balances	1,969,306	–	–	1,969,306
Bank balances and cash	9,013,773	172,867	–	9,186,640
	36,814,865	173,085	–	36,987,950
Assets classified as held for sale	–	–	–	–
	36,814,865	173,085	–	36,987,950

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note i)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012				
Current liabilities				
Trade and other payables	24,822,844	119,812	–	24,942,656
Dividend payable	7,936	–	–	7,936
Amounts due to customers for contract work	292,648	–	–	292,648
Derivative financial instruments	657	–	–	657
Income tax liabilities	432,541	93	–	432,634
Short-term financing bills	400,000	–	–	400,000
Borrowings	15,868,543	–	–	15,868,543
Early retirement and supplemental benefit obligations	49,114	–	–	49,114
Provisions	48,724	–	–	48,724
	41,923,007	119,905	–	42,042,912
Liabilities classified as held for sale	–	–	–	–
	41,923,007	119,905	–	42,042,912
Net current (liabilities) assets	(5,108,142)	53,180	–	(5,054,962)
Total assets less current liabilities	45,808,325	191,228	(198,048)	45,801,505
Non-current liabilities				
Trade and other payables	4,645	–	–	4,645
Derivative financial instruments	–	–	–	–
Corporate bonds	2,490,239	–	–	2,490,239
Medium-term notes	5,253,610	–	–	5,253,610
Borrowings	9,280,599	–	–	9,280,599
Provisions	44,788	–	–	44,788
Deferred income	665,279	23,624	–	688,903
Early retirement and supplemental benefit obligations	285,239	–	–	285,239
Deferred income tax liabilities	661,287	17,189	–	678,476
	18,685,686	40,813	–	18,726,499
NET ASSETS	27,122,639	150,415	(198,048)	27,075,006

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note i)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012				
Capital and reserves				
Share capital	3,571,464	108,262	(108,262)	3,571,464
Reserves	7,735,942	42,153	(89,786)	7,688,309
Equity attributable to owners of the Company	11,307,406	150,415	(198,048)	11,259,773
Non-controlling interests	15,815,233	–	–	15,815,233
TOTAL EQUITY	27,122,639	150,415	(198,048)	27,075,006

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note i)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2011				
Turnover	50,702,998	15,590	–	50,718,588
Cost of sales	(39,905,802)	(6,048)	–	(39,911,850)
Gross profit	10,797,196	9,542	–	10,806,738
Interest income	161,713	189	–	161,902
Other gains	882,544	2,666	–	885,210
Selling and marketing expenses	(1,427,096)	–	–	(1,427,096)
Administrative expenses	(4,084,073)	(8,296)	–	(4,092,369)
Exchange loss	(55,750)	–	–	(55,750)
Other expenses	(84,082)	(2,592)	–	(86,674)
Finance costs	(1,437,423)	(3)	–	(1,437,426)
Share of results of associates	129,737	–	–	129,737
Profit before tax	4,882,766	1,506	–	4,884,272
Income tax expense	(920,272)	501	–	(919,771)
Profit for the year	3,962,494	2,007	–	3,964,501
Profit for the year attributable to:				
Owners of the Company	1,460,567	2,007	–	1,462,574
Non-controlling interests	2,501,927	–	–	2,501,927
	3,962,494	2,007	–	3,964,501

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011				
Non-current assets				
Property, plant and equipment	34,221,741	2,086	–	34,223,827
Prepaid lease payments	3,070,931	73,660	–	3,144,591
Investment properties	120,775	63,789	–	184,564
Intangible assets	531,809	–	–	531,809
Mining rights	477,166	–	–	477,166
Investments in the Acquired Subsidiaries	–	–	–	–
Interests in associates	1,266,810	–	–	1,266,810
Available-for-sale financial assets	2,343,756	2,495	–	2,346,251
Deposits paid for acquisition of subsidiaries	101,400	–	–	101,400
Trade and other receivables	75,846	–	–	75,846
Other non-current assets	237,789	–	–	237,789
Deferred income tax assets	594,351	55	–	594,406
	43,042,374	142,085	–	43,184,459
Current assets				
Inventories	8,157,322	–	–	8,157,322
Trade and other receivables	15,687,986	597	–	15,688,583
Amounts due from customers for contract work	341,073	–	–	341,073
Prepaid lease payments	98,648	1,743	–	100,391
Derivative financial instruments	3,165	–	–	3,165
Other current assets	35,180	–	–	35,180
Restricted bank balances	1,919,043	–	–	1,919,043
Bank balances and cash	10,157,521	42,717	–	10,200,238
	36,399,938	45,057		36,444,995
Assets classified as held for sale	117,426	–	–	117,426
	36,517,364	45,057	–	36,562,421

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011				
Current liabilities				
Trade and other payables	22,730,623	15,901	–	22,746,524
Dividend payable	2,498	–	–	2,498
Amounts due to customers for contract work	131,295	–	–	131,295
Derivative financial instruments	138	–	–	138
Income tax liabilities	606,008	5	–	606,013
Short-term financing bills	800,000	–	–	800,000
Borrowings	13,610,404	–	–	13,610,404
Early retirement and supplemental benefit obligations	44,525	–	–	44,525
Provisions	41,398	–	–	41,398
	37,966,889	15,906	–	37,982,795
Liabilities classified as held for sale	12,038	–	–	12,038
	37,978,927	15,906	–	37,994,833
Net current (liabilities) assets	(1,461,563)	29,151	–	(1,432,412)
Total assets less current liabilities	41,580,811	171,236	–	41,752,047
Non-current liabilities				
Trade and other payables	4,120	–	–	4,120
Derivative financial instruments	775	–	–	775
Corporate bonds	2,487,829	–	–	2,487,829
Medium-term notes	4,352,670	–	–	4,352,670
Borrowings	9,641,003	–	–	9,641,003
Provisions	44,874	–	–	44,874
Deferred income	446,482	–	–	446,482
Early retirement and supplemental benefit obligations	301,494	–	–	301,494
Deferred income tax liabilities	671,641	18,100	–	689,741
	17,950,888	18,100	–	17,968,988
NET ASSETS	23,629,923	153,136	–	23,783,059

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011				
Capital and reserves				
Share capital	3,571,464	108,262	(108,262)	3,571,464
Reserves	7,253,405	44,874	108,262	7,406,541
Equity attributable to owners of the Company	10,824,869	153,136	–	10,978,005
Non-controlling interests	12,805,054	–	–	12,805,054
TOTAL EQUITY	23,629,923	153,136	–	23,783,059

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *(Note ii)* *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
As at 1 January 2011				
Non-current assets				
Property, plant and equipment	28,020,916	2,207	–	28,023,123
Prepaid lease payments	2,911,975	64,360	–	2,976,335
Investment properties	134,436	67,661	–	202,097
Intangible assets	619,620	–	–	619,620
Mining rights	440,015	–	–	440,015
Interests in associates	1,136,414	1,433	–	1,137,847
Available-for-sale financial assets	2,576,123	2,640	–	2,578,763
Trade and other receivables	72,170	–	–	72,170
Other non-current assets	193,760	155	–	193,915
Deferred income tax assets	447,576	76	–	447,652
	36,553,005	138,532	–	36,691,537
Current assets				
Inventories	5,361,260	–	–	5,361,260
Trade and other receivables	10,438,614	4,722	–	10,443,336
Amounts due from customers for contract work	183,628	–	–	183,628
Prepaid lease payments	89,147	1,626	–	90,773
Derivative financial instruments	34,464	–	–	34,464
Other current assets	30,146	–	–	30,146
Restricted bank balances	1,257,740	–	–	1,257,740
Bank balances and cash	13,256,593	36,536	–	13,293,129
	30,651,592	42,884	–	30,694,476

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2011				
Current liabilities				
Trade and other payables	20,808,017	13,956	–	20,821,973
Amounts due to customers for contract work	440,889	–	–	440,889
Derivative financial instruments	–	–	–	–
Income tax liabilities	554,926	70	–	554,996
Short-term financing bills	400,000	–	–	400,000
Borrowings	8,178,189	–	–	8,178,189
Early retirement and supplemental benefit obligations	34,532	–	–	34,532
Provisions	35,104	–	–	35,104
	30,451,657	14,026	–	30,465,683
Net current (liabilities) assets	199,935	28,858	–	228,793
Total assets less current liabilities	36,752,940	167,390	–	36,920,330
Non-current liabilities				
Trade and other payables	1,197	–	–	1,197
Derivative financial instruments	3,415	–	–	3,415
Corporate bonds	2,485,545	–	–	2,485,545
Medium-term notes	1,700,000	–	–	1,700,000
Borrowings	10,543,743	–	–	10,543,743
Provisions	31,874	–	–	31,874
Deferred income	283,274	–	–	283,274
Early retirement and supplemental benefit obligations	317,908	–	–	317,908
Deferred income tax liabilities	733,308	16,261	–	749,569
	16,100,264	16,261	–	16,116,525
NET ASSETS	20,652,676	151,129	–	20,803,805

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries)	Acquired Subsidiaries	Adjustment *(Note ii)*	The Group (including the Acquired Subsidiaries)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2011				
Capital and reserves				
Share capital	3,571,464	105,327	(105,327)	3,571,464
Reserves	6,216,574	45,802	105,327	6,367,703
Equity attributable to owners of the Company	9,788,038	151,129	–	9,939,167
Non-controlling interests	10,864,638	–	–	10,864,638
TOTAL EQUITY	20,652,676	151,129	–	20,803,805

Notes:

(i) The adjustment comprise of elimination of the paid-in capital of the Acquired Subsidiaries against the investment costs.

The consideration for the acquisition of the Acquired Subsidiaries amounted to approximately RMB198,048,000 in aggregate and the aggregate paid-in capital of the Acquired Subsidiaries at the date of combination were RMB108,262,000.

(ii) The adjustment represents elimination of the paid-in capital of the Acquired Subsidiaries as at 31 December 2011 and 1 January 2011 with a corresponding entry to capital reserve. The difference of RMB89,786,000 has been recorded in capital reserve.

The effects of adopting merger accounting for common control combination on the Group's basic and diluted earnings per share for the year ended 31 December 2012 and 2011:

	2012	2011
	RMB	*RMB*
		(Restated)
Reported figures before adjustments	**0.134**	0.409
Adjustments arising on common control combination	**(0.001)**	0.001
Restated figures after adjustments	**0.133**	0.410

51. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

The Group has adopted merger accounting for common control combinations in respect of the following transactions during the year ended 31 December 2011.

(a) On 12 January 2011, Sinoma Shangrao Machinery Co., Ltd. ("Sinoma Shangrao"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Sinoma Slipform Leasing (Shangrao) Co., Ltd. ("Shangrao Slipform") at a consideration of approximately RMB9,867,000. The acquisition has been completed on 17 January 2011.

(b) On 12 January 2011, Sinoma Shangrao entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Sinoma Equipment Maintenance (Shangrao) Co., Ltd. ("Shangro Maintenance") at a consideration of approximately RMB30,852,000. The acquisition has been completed on 17 January 2011.

(c) On 28 January 2011, Sinoma Advanced Materials Co. Ltd., a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Shandong Research & Design Institute of Industrial Ceramics Co., Ltd. ("Shandong Industrial Ceramics") at a consideration of approximately RMB8,152,000. The acquisition has been completed on 15 February 2011.

(d) On 22 February 2011, Sinoma Cement, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group to acquire 100% equity interest of Suzhou Concrete Cement Products Research & Design Institute Co., Ltd. ("Suzhou Concrete Cement Institute") at a consideration of approximately RMB95,176,000. The acquisition has been completed on 17 March 2011.

The immediate holding company of Shangrao Slipform, Shangrao Maintenance, Shandong Industrial Ceramics and Suzhou Concrete Cement Institute (collectively named as the "Acquired Subsidiaries") prior to the acquisition by the Group is Sinoma Group and the aforesaid transactions are regarded as business combinations under common control.

No significant adjustments were made to the net assets and net results of the above entities as a result of the common control combination to achieve consistency of accounting policies.

The financial information for the business combinations under common control occurred during the year ended 31 December 2011 has already been included in the opening balances and comparative figures disclosed in the consolidated financial statements due to the adoption of merger accounting in the previous year. As a result, the above transactions have no impact to the financial information in the current year.

52. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2012

(i) Lanzhou Hongjian Commodity Concrete Co., Ltd. ("Lanzhou Hongjian")

On 31 May 2012, the Group disposed of its 60% equity interests, being the entire equity interest held by the Group, in Lanzhou Hongjian to an independent third party for a total consideration of RMB30,000,000.

Consideration received

	RMB'000
Cash	10,000
Other receivables (due for settlement within one year)	20,000
Total consideration received	30,000

Analysis of assets and liabilities over which control was lost:

	31/5/2012 *RMB'000*
Property, plant and equipment	21,514
Deferred income tax assets	9,431
Inventories	3,688
Trade and other receivables	152,711
Bank balances and cash	4,615
Other current assets	3,351
Trade and other payables	(88,141)
Borrowings	(18,800)
Income tax liabilities	(19,951)
Net assets disposed of	68,418

Loss on disposal of a subsidiary:

	RMB'000
Consideration received	30,000
Net assets disposed of	(68,418)
Non-controlling interests	27,367
Loss on disposal	(11,051)

52. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2012 *(Continued)*

(i) Lanzhou Hongjian Commodity Concrete Co., Ltd. ("Lanzhou Hongjian") *(Continued)*

Net cash inflow on disposal of Lanzhou Hongjian

	RMB'000
Cash consideration received	10,000
Cash and cash equivalents disposed of	(4,615)
	5,385

The subsidiary disposed of during the year ended 31 December 2012 contributed approximately RMB47,913,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiary also contributed approximately RMB6,884,000 to the Group's net operating cash flow and paid approximately RMB7,640,000 in respect of financing activities. The subsidiary had no contribution to the Group's cash flow from investing activities.

(ii) Taian Electric

On 10 September 2012, the Group disposed of its 100% equity interests in Taian Electric, a wholly-owned subsidiary of the Group, to an independent third party for a total consideration of RMB270,000,000.

Consideration received

	RMB'000
Cash	131,000
Other receivables (note)	139,000
Total consideration received	270,000

52. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2012 *(Continued)*

(ii) Taian Electric *(Continued)*

Analysis of assets and liabilities over which control was lost:

	10/9/2012 *RMB'000*
Property, plant and equipment	87,470
Inventories	7,955
Trade and other receivables	822
Bank balances and cash	6,152
Prepaid lease payments	15,365
Trade and other payables	(18,052)
Net assets disposed of	99,712

Gain on disposal of a subsidiary

	RMB'000
Consideration received	270,000
Plus: Non-controlling interests (42.35% in a subsidiary of Taian Electric)	5,857
Less: Net assets disposed of	(99,712)
Gain on disposal	176,145

Net cash inflow on disposal of Taian Electric

	RMB'000
Cash consideration received	131,000
Cash and cash equivalents disposed of	(6,152)
	124,848

The subsidiary disposed of during the year ended 31 December 2012 contributed approximately RMB3,406,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiary also contributed approximately RMB4,894,000 to the Group's net operating cash outflow, and paid approximately RMB4,894,000 in respect of investing activities. The subsidiary had no contribution to the Group's cash flows from financing activities.

Note:
As at 31 December 2012, the director of the Company determined that the recoverability of other receivables regarding the consideration has uncertainty and impairment provision amount approximately RMB69,500,000 was provided in Note 33(d).

52. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2011

On 31 July 2011, the Group disposed of its 64.41% equity interests, to an independent third party being the entire equity interest held by the Group, in Turpan Tourism Development Co. Ltd. ("Turpan Tourism") to an independent third party for a cash consideration of RMB27,250,000.

Consideration received

	RMB'000
Total consideration received, settled by cash	27,250

Analysis of assets and liabilities over which control was lost:

	31/7/2011 *RMB'000*
Property, plant and equipment	20,960
Prepaid lease payments	3,632
Available-for-sale financial assets	600
Deferred income tax assets	200
Inventories	268
Trade and other receivables	6,447
Bank balances and cash	1,130
Trade and other payables	(680)
Income tax liabilities	(1,617)
Net assets disposed of	30,940

Gain on disposal of a subsidiary:

	RMB'000
Consideration received	27,250
Net assets disposed of	(30,940)
Non-controlling interests (35.59% in Turpan Tourism)	11,012
Gain on disposal	7,322

52. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2011 *(Continued)*

Net cash inflow on disposal of Turpan Tourism

	RMB'000
Cash consideration received	27,250
Less: cash and cash equivalents disposed of	(1,130)
	26,120

The subsidiary disposed of during the year ended 31 December 2011 contributed approximately RMB2,212,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiary also contributed approximately RMB830,000 to the Group's net operating cash flow and paid approximately RMB703,000 in respect of investing activities. The subsidiary had no contribution to the Group's cash flows from financing activities.

53. CONTINGENT LIABILITIES

	2012	2011
	RMB'000	*RMB'000*
Outstanding guarantees *(Note a)*	**30,000**	60,000

Notes:

(a) The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain independent third parties. Outstanding guarantees amounted to RMB30,000,000 (2011: RMB60,000,000) have been utilised by other state-owned enterprises and independent third parties at the end of the reporting period.

(b) At the end of the reporting period, the Group has provided the following guarantees to other state-owned enterprises/independent third parties which will be expiring:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**30,000**	30,000
In the second to fifth year inclusive	**–**	30,000
	30,000	60,000

54. COMMITMENTS

(a) Capital commitments

	2012 *RMB'000*	2011 *RMB'000*
Capital expenditure authorised but not contracted for in respect of the acquisition of:		
– Investment in a subsidiary	**–**	6,611
	–	6,611
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**924,848**	793,442
– Prepaid lease payments	**4,265**	2,160
– Acquisition of a subsidiary	**–**	236,600
	929,113	1,032,202
	929,113	1,038,813

(b) Operating lease commitments

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 *RMB'000*	2011 *RMB'000*
Within one year	**1,041**	1,345
In the second to fifth year inclusive	**6,394**	2,731
After five years	**42,110**	49,400
	49,545	53,476

Operating lease payments represents rentals payables by the Group for various offices, warehouses and residential properties. Leases are negotiated for a period from 2 to 20 years and rentals are fixed during the relevant lease periods.

54. COMMITMENTS *(Continued)*

(b) Operating lease commitments *(Continued)*

The Group as lessor

The Group rents out various investment properties under non-cancellable operating lease agreements. The rented out properties are expected to generate rental yield of 21% (2011: 19%) on an ongoing basis. All of the properties held have committed tenants for the next 5 years.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments as follows:

	2012	2011
	RMB'000	*RMB'000*
Within one year	**7,431**	6,974
In the second to fifth year inclusive	**9,802**	9,757
After five years	**8,658**	6,772
	25,891	23,503

55. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2012, the Group has acquired property, plant and equipment amounting to approximately RMB2,953,086,000 which has been settled by bills receivables.

(b) During the year ended 31 December 2012, the Group has acquired property, plant and equipment amounting to approximately RMB915,038,000 which has been included in other payables as at 31 December 2012.

(c) During the year ended 31 December 2011, the Group has acquired property, plant and equipment amounting to approximately RMB1,708,377,000 which has been settled by bills receivables.

(d) During the year ended 31 December 2010, the Group received national funds of RMB19,440,000 from the PRC Government and was carried as other payable prior to the completion of the relevant verification procedures. The verification procedures were completed during the year ended 31 December 2011 and such amount was then transferred to other reserves.

56. RELATED PARTY DISCLOSURES

Sinoma Group, the immediate holding company of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The State Council is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither Sinoma Group nor the State Council published financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the two years ended 31 December 2012 and 2011 and balances as at 31 December 2012, 31 December 2011 and 1 January 2011 with related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(i) Transactions and balances with other state-owned enterprises

(a) The Group's transactions with other state-owned enterprises only accounted for less than 5% of the Group's revenue and cost of sales for the two years ended 31 December 2012 and 2011.

(b) The balances with other state-owned enterprises and Sinoma Group and its fellow subsidiaries only accounted for less than 5% of the Group's trade and other receivables and trade and other payables as at 31 December 2012 and 2011. However, over 95% of the Group's borrowings were obtained from and over 95% of the Group's cash and cash equivalents are maintained with other state-owned enterprises.

In addition, as at 31 December 2012 and 2011, certain borrowings of the Group were secured by the corporate guarantees executed by other state-owned enterprises and about 5% of the outstanding guarantees provided by the Group were in favor of other state-owned enterprises.

56. RELATED PARTY DISCLOSURES *(Continued)*

(ii) Significant transactions and balances with related parties other than state-owned enterprises

The Group has the following significant transactions with related parties other than other state-owned enterprises:

	2012 ***RMB'000***	2011 *RMB'000* (Restated)
Transactions with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Revenue		
– Sales of goods or provision of services	**26,486**	1,196
– Interest income (Note)	**2,198**	2,004
Expenses		
– Purchases of goods or services	**10,563**	20,008
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**–**	1,420
Expenses		
– Purchases of goods or services	**36,895**	65,225
Transactions with non-controlling interests		
Revenue		
– Sales of goods or provision of services	**4,193**	3,406
Expenses		
– Purchases of goods or services	**8,750**	80,245
– Rental expenses	**1,640**	636
Transactions with joint venture partners of jointly controlled entities		
Revenue		
– Sales of goods or provision of services	**53,057**	69,692
Expenses		
– Purchases of goods or services	**11,125**	6,757

Note: The interest income was included in interest income on loan receivables in Note 10.

56. RELATED PARTY DISCLOSURES *(Continued)*

(ii) Significant transactions and balances with related parties other than state-owned enterprises *(Continued)*

Balances with related parties other than other state-owned enterprises:

	2012 *RMB'000*	2011 *RMB'000* (Restated)
Trade and other receivables		
Trade receivables due from		
– Jointly controlled entities	**19,374**	19,293
– Non-controlling interests	**20,107**	14,048
– Joint venture partners of jointly controlled entities	**9,460**	6,970
– Less: Impairment loss recognised	**(18,252)**	(17,860)
	30,689	22,451
Loan receivables due from		
– Jointly controlled entities	**30,000**	30,025
Other receivables due from		
– Associates	**11,473**	–
– Non-controlling interests	**67,500**	31,008
– Less: Impairment loss recognised	**(2,466)**	(2,460)
	76,507	28,548
	137,196	81,024

56. RELATED PARTY DISCLOSURES *(Continued)*

(ii) Significant transactions and balances with related parties other than state-owned enterprises *(Continued)*

Balances with related parties other than other state-owned enterprises (Continued):

	2012	2011
	RMB'000	*RMB'000*
		(Restated)
Trade and other payables		
Trade payables due to		
– Jointly controlled entities	**6,177**	14,403
– Associates	**19,289**	5,488
– Non-controlling interests	**6,422**	4,392
– Joint venture partners of jointly controlled entities	**2,010**	5,817
	33,898	30,100
Other payables due to		
– Non-controlling interests	**29,992**	73,872
– Joint venture partners of jointly controlled entities	**4,000**	–
	33,992	73,872
	67,890	103,972

The credit periods of trade receivables due from related parties and trade payables due to related parties, if any, generally range from 30 to 365 days. Other receivables due from related parties and other payables due to related parties are generally unsecured, non-interest bearing and repayable on demand.

56. RELATED PARTY DISCLOSURES *(Continued)*

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2012	2011
	RMB'000	*RMB'000*
Short-term benefits	**14,528**	16,371
Post employment benefits	**419**	413
Cash-settled share-based payments	**(420)**	318
	14,527	17,102

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

57. CHARGE OF ASSETS

The carrying values of Group's assets that are pledged are as follows:

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Property, plant and equipment	**3,305,167**	2,529,504
Prepaid lease payments	**170,382**	204,815

58. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 January 2013, Suzhou Sinoma Design and Research Institute of Nonmetallic Minerals Industry Co., Ltd., a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with Sinoma Group, the controlling shareholder of the Company to acquire 100% equity interest of Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. at a consideration of approximately RMB60,541,000 and which is principally engaged in property leasing and provision of management services. The acquisition has not been completed at the date of these consolidated financial statements.

Details of the acquisition were set out in the Company's announcement dated 8 January 2013.

(b) On 24 January 2013, the Company issued a short-term financing bills with principal amounted to RMB1,000,000,000. The short-term financing bills carry an interest rate at 4.24% per annum and have a maturity date on 23 January 2014.

Details of the issuance were set out in the Company's announcement dated 24 January 2013.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) Principal subsidiaries

As at 31 December 2012 and 2011, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
		RMB'000			
Listed:					
Sinoma International (中國中材國際工程股份有限公司)	The PRC 28 December 2001 Joint stock company	1,093,297 (2011: 911,081)	42.46% *(Notes (ii) and (vi))*	–	Construction and engineering services; The PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司) ("Sinoma Science & Technology")	The PRC 28 December 2001 Joint stock company	400,000	54.32%	–	High-tech materials operations; The PRC
Tianshan Cement (新疆天山水泥股份有限公司)	The PRC 18 November 1998 Joint stock company	880,101 (2011: 388,945)	35.39% (2011:41.95%) *(Notes (iii) and (vii))*	–	Cement operations; The PRC
Ningxia Building Materials (寧夏建材集團股份有限公司)	The PRC 4 December 1998 Joint stock company	478,318 (2011: 239,159)	47.57% (2011: 35.74%) *(Notes (iv) and (viii))*	–	Cement operations The PRC
Qilianshan Co. (甘肅祁連山水泥集團股份有限公司)	The PRC 3 December 1995 Joint stock company	597,146 (2011: 474,902)	13.24% (2011: 12.81%) *(Note (v) and (ix))*	13.22% (2011: 12.78%)	Cement Operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Unlisted:					
CBMI Construction Co., Ltd. (中材建設有限公司)	The PRC 13 November 2002 Limited liability company	72,580	–	100%	Construction and engineering services; The PRC, Africa, Europe and South America
Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. (成都建築材料工業設計研究院有限公司)	The PRC 28 November 2002 Limited liability company	60,000	–	100%	Construction and engineering services; The PRC
Sinoma Tangshan Heavy Machinery Co., Ltd. (唐山中材重型機械有限公司)	The PRC 27 January 2003 Limited liability company	30,006 (2011: 44,166)	–	100%	Manufacture of cement equipment; The PRC
Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司)	The PRC 19 December 2002 Limited liability company	50,080	–	100%	Construction and engineering services; The PRC
Sinoma Equipment Co., Ltd. (中材裝備集團有限公司)	The PRC 13 December 2006 Limited liability company	145,000 (2011: 245,000)	–	100%	Construction and engineering services; The PRC, Africa and other Asian countries
Sinoma E&E (中國中材東方國際貿易有限公司)	The PRC 3 June 1988 Limited liability company	50,000 (2011: 22,000)	–	100%	Construction and engineering services; The PRC and other Asian countries
CEMTECH Tianjin Heavy Machinery Co. Ltd. (中材(天津)重型機械有限公司)	The PRC 7 April 2000 Limited liability company	55,280	–	100%	Manufacture of cement equipment; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		RMB'000			
Unlisted: *(Continued)*					
CEMTECH Xuzhou Heavy Machinery Co., Ltd. (中天仕名(徐州)重型機械有限公司)	The PRC 16 December 2002 Limited liability company	38,000	–	91%	Manufacture of cement equipment; The PRC
CEMTECH Zibo Heavy Machinery Co., Ltd. (中天仕名(淄博)重型機械有限公司)	The PRC 8 January 2002 Limited liability company	50,000	–	100%	Manufacture of cement equipment; The PRC
CEMTECH Changshu (常熟仕名重型機械有限公司)	The PRC 23 October 2003 Limited liability company	20,000	–	100%	Manufacture of cement equipment; The PRC
China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd. (中國建築材料工業建設西安工程有限公司)	The PRC 28 December 2001 Limited liability company	56,000 (2011: 50,000)	–	100%	Construction and engineering services; The PRC
Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司)	The PRC 29 June 2007 Limited liability company	35,750 (2011: 29,746)	–	100%	Construction and engineering services; The PRC
Sinoma Shangrao (上饒中材機械有限公司)	The PRC 19 April 2007 Limited liability company	12,457	–	100%	Construction and engineering services; The PRC
Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司)	The PRC 26 June 2007 Limited liability company	60,960 (2011:28,953)	–	100%	Construction and engineering services; The PRC
Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設工程有限公司)	The PRC 14 August 2007 Limited liability company	33,870 (2011: 27,867)	–	100%	Construction and engineering services; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	The PRC 17 November 2003 Limited liability company	28,500	–	100%	Manufacture of Enviromental-friendly equipment The PRC
Sinoma Cement (中材水泥有限責任公司)	The PRC 20 November 2003 Limited liability company	1,820,000 (2011: 1,761,500)	100%	–	Cement operations; The PRC
Sinoma Hanjiang (中材漢江水泥股份有限公司)	The PRC 25 August 1994 Joint stock company	277,916 (2011: 280,647)	–	91.83% (2011: 90.45%)	Cement operations; The PRC
Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司)	The PRC 6 February 2006 Limited liability company	270,000	–	70%	Cement operations; The PRC
Yunfu Tianshan Cement Co., Ltd. (中材天山(雲浮)水泥有限公司)	The PRC 4 April 2003 Limited liability company	180,000	–	81.94%	Cement operations; The PRC
Xinjiang Tianshan Zhuyou Concrete Co., Ltd. (新疆天山築友混凝土有限責任公司)	The PRC 20 April 2003 Limited liability company	50,000	–	100.00%	Cement operations; The PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	The PRC 16 January 1996 Limited liability company	35,526	–	74.63%	Cement operations; The PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	The PRC 28 January 2003 Limited liability company	24,253	–	60%	Cement operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Unlisted: *(Continued)*					
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	The PRC 25 April 2001 Limited liability company	443,325	–	100%	Cement operations; The PRC
Xinjiang Tunhe Cement Co., Ltd. (新疆屯河水泥有限責任公司)	The PRC 16 October 2000 Limited liability company	517,426 (2011: 392,772)	–	51%	Cement operations; The PRC
Suzhou Tianshan Cement Co., Ltd. (蘇州天山水泥有限責任公司)	The PRC 6 November 2003 Limited liability company	30,000	–	100%	Cement operations; The PRC
Wuxi Tianshan Cement Co., Ltd. (無錫天山水泥有限公司)	The PRC 28 February 2003 Limited liability company	80,000	–	100%	Cement operations; The PRC
Jiangsu Tianshan Cement (Group) Co., Ltd. (江蘇天山水泥集團有限公司)	The PRC 11 November 2002 Limited liability company	231,353 (2011: 311,353)	–	66.01%	Cement operations; The PRC
Suzhou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	The PRC 26 July 2002 Limited liability company	4,000	–	75%	Cement operations; The PRC
Sinoma Advanced Materials Co. Ltd. (中材高新材料股份有限公司)	The PRC 25 December 2000 Joint stock company	107,591	99.46%	–	High-tech materials operations; The PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	The PRC 30 April 2007 Limited liability company	100,000	–	64%	Manufacture of new materials; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體研究院有限公司)	The PRC 22 April 2005 Limited liability company	40,000	–	100%	High-tech materials operations; The PRC
Beijing Composite Material Co., Ltd. (北京玻鋼院複合材料有限公司)	The PRC 2 January 2003 Limited liability company	60,000	20%	80%	High-tech materials operations; The PRC
Sinoma Science & Technology (Suzhou) Co., Ltd. (中材科技(蘇州)有限公司)	The PRC 26 October 2004 Limited liability company	180,000	–	100%	High-tech materials operations; The PRC
Taishan Fiberglass Inc (泰山玻璃纖維有限公司)	The PRC 17 September 1999 Limited liability company	1,934,712	100%	–	Glass fiber operations;. The PRC
Taishan Fiberglass Zoucheng Co., Ltd. (泰山玻璃纖維鄒城有限公司)	The PRC 26 July 2001 Limited liability company	806,865 (2011: 631,020)	–	87.41%	Glass fiber operations; The PRC
Taishan Composite (山東泰山複合材料有限公司)	The PRC 16 April 2003 Limited liability company	238,684	–	100%	Glass fiber operations; The PRC
CTG International Inc. (CTG北美貿易有限公司)	United States ("U.S.") 16 April 2004 Limited liability company	13,457	–	100%	Trading of glass fiber; U.S.
Tai'an Huatai Nonmetal Micronization Co., Ltd. (泰安華泰非金屬微粉有限公司)	The PRC 4 January 2002 Limited liability company	18,980	–	100%	Production and sale of non-metallic crystal; The PRC
Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司)	The PRC 17 January 2004 Limited liability company	203,957	50.01%	–	Glass fiber operations; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司)	The PRC 22 December 1999 Limited liability company	32,000	51%	–	Manufacture of Chinese ISO standard sands; The PRC
Yixing Tianshan (宜興天山水泥有限責任公司)	The PRC 29 July 2008 Limited liability company	150,000	–	100%	Cement operations; The PRC
Midong Tianshan Cement Co. Ltd. (新疆米東天山水泥有限公司)	The PRC 24 April 2007 Limited liability company	256,481 (2011: 201,365)	–	64.56% (2011: 83.93%)	Cement operations; The PRC
Sinoma Luoding Cement Co., Ltd. (中材羅定水泥有限公司)	The PRC 4 December 2007 Limited liability company	290,000	–	100%	Production and sales of cement and clinker; The PRC
Sinoma Zhuzhou Cement Co. Ltd. (中材株洲水泥有限公司)	The PRC 11 October 2005 Limited liability company	230,000	–	100%	Cement operation; The PRC
Sinoma Changde Cement Co. Ltd. (中材常德水泥有限責任公司) (formerly known as Changde Sinoma Cement Co. Ltd. 常德中材牛力水泥有限公司)	The PRC 10 October 2007 Limited liability company	145,420	–	100%	Cement operation; The PRC
Sinoma Xiang Tan Cement Co. Ltd. (中材湘潭水泥有限公司) (formerly known as Xiang Tan Sinoma Cement Co. Ltd. 湘潭中材牛力水泥有限公司)	The PRC 28 September 2007 Limited liability company	289,710	–	100%	Production and sales of cement and clinker; The PRC

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Unlisted: *(Continued)*					
Sinoma Fan Blades (中材科技風電葉片股份有限公司)	The PRC 14 June 2007 Joint stock company	441,019 (2011: 403,884)	–	85.46% (2011: 93.31%)	Sales of wind power blade; The PRC
Ning Xia Qingtongxia Cement Co. Ltd. (寧夏青銅峽水泥股份有限公司)	The PRC 11 August 2001 Joint stock company	334,750	–	87.19%	Cement operation; The PRC
Ning Xia Zhongning Saima Cement Co. Ltd. (寧夏中寧賽馬水泥有限公司)	The PRC 24 June 2004 Limited liability company	205,758	–	100%	Cement operation; The PRC
Xiahe Anduo (夏河祁連山安多水泥有限責任公司)	The PRC 1 February 2000 Limited liability company	53,349	–	65%	Cement operation; The PRC
Sinomatch (中材科技(阜寧)風電葉片有限公司)	The PRC 26 December 2007 Limited liability company	318,607	-	100%	Sales of wind power blade; The PRC

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

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(i) As at 31 December 2012 and 2011, the Group's shares in companies listed in the PRC comprise:

(1) 42.46% (2011: 42.46%) equity interests in Sinoma International, a company listed on the Shanghai Stock Exchange of the PRC. The Company's equity interests in Sinoma International represents 464,263,219 A shares. The market value of the 464,263,219 tradable shares as at 31 December 2012 is approximately RMB5,719,723,000 (2011: RMB6,097,324,000 for 386,886,016 tradable shares).

(2) 54.32% (2011: 54.32%) equity interests in Sinoma Science & Technology, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Sinoma Science & Technology represents 217,298,286 A shares which will be tradable after 29 December 2013. The market value of the 217,298,286 tradable shares as at 31 December 2012 is approximately RMB1,690,581,000 (2011: RMB2,496,757,000 for 217,298,286 tradable shares).

(3) 35.39% (2011: 41.95%) equity interests in Tianshan Cement, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Tianshan Cement represents 311,474,428 A shares, including 89,955,021 shares will be tradable since 22 May 2013. The market value of the shares as at 31 December 2012 is approximately RMB1,630,050,000 (2011: RMB3,459,236,000 for 163,171,495 tradable shares).

(4) 47.57% (2011: 35.74%) equity interests in Ningxia Building Materials, a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Ningxia Building Materials represents 227,551,086 (2011: 113,775,543) A shares which will be tradable since 21 December 2014. The market value of the 227,551,086 tradable shares as at 31 December 2012 is approximately RMB2,082,092,000 (2011: RMB2,236,827,000 for 113,775,543 tradable shares).

(5) 19.98% (2011: 19.33%) effective equity interests in Qilianshan Co., a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Qilianshan Co. represents 157,982,107 (2011: 121,524,698) A shares. The market value of these shares as at 31 December 2012 is approximately RMB1,674,610,000 (2011: RMB1,104,660,000).

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(ii) As the Group has de facto control over Sinoma International and therefore Sinoma International was accounted for as a subsidiary of the Group.

(iii) As the Group has obtained de facto control over Tianshan Cement and therefore Tianshan Cement was accounted for as a subsidiary of the Group.

(iv) As the Group has obtained de facto control over Ningxia Building Materials and therefore Ningxia Building Materials was accounted for as a subsidiary of the Group.

(v) As the Group has de facto control over Qilianshan Co. and therefore Qilianshan Co. was accounted for as a subsidiary of the Group.

(vi) Resolutions for the issuance of bonus shares to existing shareholders of Sinoma International and the conversion of capital reserve to share capital was passed in the 2011 annual general meeting of Sinoma International held on 18 April 2012. The bonus issue is based on the existing 911,081,050 number of shares and offering 2 shares for every 10 existing shares of Sinoma International. Accordingly, 182,216,210 bonus shares have been issued to existing shareholders.

Upon the completion of the above transactions, the registered capital of Sinoma International and the number of shares held by the Company have been increased to 1,093,297,260 and 464,263,219 respectively. The transaction has no effect in the percentage of equity interests directly held by the Group.

Details of which are set out in Sinoma International's announcement dated 5 June 2012.

(vii) Resolutions for the issuance of additional shares to the public was passed in the 2011 Announcement on resolutions passed at the first EGM in 2012 of Tianshan Cement held on 3 February 2012. The additions of share capital issue are based on the public offering with preference allotment to existing shareholders.

Upon the completion of the above transactions, the registered capital of Tianshan Cement and the number of shares held by the Company have been increased to 488,945,144 and 173,041,349 respectively. The Group's effective equity interests in Tianshan Cement decreased from 41.95% to 35.39%.

Details of which are set out in Tianshan Cement's announcement dated 3 February 2012.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(a) Principal subsidiaries *(Continued)*

(vii) *(Continued)*

Resolutions for the transference from capital reserve to share capital was passed in the Announcement on resolutions passed at the forth EGM in 2012 of Tianshan Cement held on 10 July 2012. The transference are based on the existing 488,945,144 number of shares and issue additional shares of Tianshan Cement. Accordingly, 391,156,115 additional shares have been transferred.

Upon the completion of the above transactions, the registered capital of Tianshan Cement and the number of shares held by the Company have been increased to 880,101,259 and 311,474,427 respectively. The transaction has no effect in the percentage of equity interests directly held by the Group.

Details of which are set out in Tianshan Cement's announcement dated 11 July 2012.

(viii) Resolutions for the issuance of bonus shares to existing shareholders of Ningxia Building Materials and the conversion of capital reserve to share capital was passed in the 2011 annual general meeting of Ningxia Building Materials held on 30 March 2012. The bonus issue is based on the existing 239,159,417 number of shares and offering 10 shares for every 10 existing shares of Ningxia Building Materials. Accordingly, 239,159,417 bonus shares have been issued to existing shareholders.

Upon the completion of the above transactions, the registered capital of Ningxia Building Materials and the number of shares held by the Company have been increased to 478,318,834 and 227,551,086 respectively. The transaction has no effect in the percentage of equity interests directly held by the Group.

Details of which are set out in Ningxia Building Materials's announcement dated 31 March 2012.

(ix) Resolutions for the shares allotment to existing shareholders was passed in the 2012 Announcement on resolutions passed at the director's meeting in 2011 of Qilianshan held on 17 June 2011. Upon completion of the allotment, 122,244,039 shares have been issued and the total number of shares of Qilianshan Co has been increased to 597,146,371. The number of shares held by the Company and Qilianshan Holdings have been increased to 79,056,017 and 78,926,090 respectively. The Group's effective equity interests in Qilianshan Co. increased from 19.33% to 19.98%.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(b) Jointly controlled entities

As at 31 December 2012 and 2011, the Company has indirect equity interests in the following principal jointly controlled entities (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest	Principal activities and place of operation
PPG Sinoma Jinjing Fiber Glass Co., Ltd. (龐貝捷中材金晶玻纖有限公司)	Hong Kong 24 March 2006 Limited liability company	216,567	50%	Glass fiber operations; Hong Kong
PPG Sinoma Zibo Jinjing Fiber Glass Co., Ltd. (淄博中材龐貝捷金晶玻纖有限公司)	The PRC 19 April 2006 Limited liability company	212,394	50%	Glass fiber operations; The PRC
Dongguan Taiguang Fiberglass Ltd. (東莞泰廣玻璃纖維有限公司)	The PRC 10 June 2003 Limited liability company	6,599 (2011: 6,710)	50%	Glass fiber operations ; The PRC

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(c) Associates

As at 31 December 2012 and 2011, the Company has indirect equity interests in the following principal associates:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest	Principal activities and place of operation
Unlisted:				
Nanjing Chunhui Science & Technology Industry & Commerce Co., Ltd. (南京春輝科技實業有限公司)	The PRC 24 January 1997 Limited liability company	8,043	20.59%	Glass fiber operations; The PRC
Hangzhou Qiangshi Engineering & Materials Co., Ltd. (杭州強士工程材料有限公司)	The PRC 30 July 2000 Limited liability company	17,750	30%	Glass fiber operations; The PRC
Hanjiang Concrete Co., Ltd. (漢中市漢江混凝土有限責任公司)	The PRC 24 March 2000 Limited liability company	15,000	26.67%	Cement operations; The PRC
Beijing Tongda Refractory Technologies Co., Ltd. (北京通達耐火技術股份有限公司)	The PRC 10 May 2006 Joint stock company	285,171 (2011: 125,326)	23.75%	Cement operation, real estate, import and export trade; The PRC
Jiugang (Group) Hongda Building Materials Co., Ltd. (酒鋼(集團)宏達建材有限責任公司)	The PRC 10 February 1998 Limited liability company	136,730	60% *(Note (i))*	Cement operation; The PRC
Baotou Xishui Cement Co., Ltd. (包頭市西水水泥有限責任公司)	The PRC 29 December 2006 Limited liability company	40,000	45%	Cement operation; The PRC
Wuhai Xishui Cement Co., Ltd. (烏海市西水水泥有限責任公司)	The PRC 11 January 2007 Limited liability company	100,000	45%	Cement operation; The PRC

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

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

(c) Associates *(Continued)*

(i) The Group appointed three of the seven directors in the board of directors of Jiugang (Group) Hongda Building Materials Co., Ltd. ("Jiugang Hongda"). The Group has significant influence over Jiugang Hongda as set out in Note 7 above and therefore Jiugang Hongda treated as an associate of the Group.

(d) The operations of the principal subsidiaries, jointly controlled entities and associates are principally located in the PRC, Middle East and other Asian countries

Except for Sinoma International, Sinoma Science & Technology, Tianshan Cement, Ningxia Building Material and Qilianshan Co. which are listed companies in the PRC, all subsidiaries, jointly controlled entities and associates have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, jointly controlled entities and the associates referred to in these consolidated financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Except for the medium-term notes as detailed in Note 45, none of the subsidiaries, jointly controlled entities and associates had issued debt securities at the end of the reporting period.

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**5,710**	2,059
Intangible assets		**3,431**	2,870
Investments in subsidiaries		**11,410,397**	11,176,079
Investment in an associate		**904,700**	639,012
Available-for-sale financial assets		**1,945,271**	2,018,038
Deferred income tax assets		**10,161**	7,952
		14,279,670	13,846,010
Current assets			
Other receivables		**1,154,144**	1,191,038
Bank balances and cash		**109,726**	578,766
		1,263,870	1,769,804
Current liabilities			
Other payables		**136,966**	287,085
Dividend payables		**6,244**	2,498
Income tax liabilities		**1,005**	1,275
Borrowings		**1,070,000**	1,510,000
Early retirement and supplemental benefit obligations		**4,425**	3,211
		1,218,640	1,804,069
Net current assets (liabilities)		**45,230**	(34,265)
Total assets less current liabilities		**14,324,900**	13,811,745
Non-current liabilities			
Corporate bonds		**2,490,239**	2,487,829
Medium-term notes		**1,700,000**	1,700,000
Borrowings		**300,000**	–
Early retirement and supplemental benefit obligations		**36,219**	28,595
Deferred income tax liabilities		**384,707**	402,899
		4,911,165	4,619,323
NET ASSETS		**9,413,735**	9,192,422
Capital and reserves			
Share capital		**3,571,464**	3,571,464
Reserves	*(a)*	**5,842,271**	5,620,958
TOTAL EQUITY		**9,413,735**	9,192,422

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note b (i))*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2011	3,273,160	(546,272)	52,693	1,311,610	671,050	338,537	5,100,778
Loss for the year	–	–	–	–	–	(59,800)	(59,800)
Other comprehensive expenses for the year							
Fair value changes of available-for-sale financial assets	–	–	–	(135,798)	–	–	(135,798)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	33,950	–	–	33,950
Total comprehensive expenses for the year	–	–	–	(101,848)	–	(59,800)	(161,648)
Dividend recognised as distribution	–	–	–	–	–	(142,859)	(142,859)
Internal reorganisation *(Note b (iv))*	–	–	–	–	750,967	–	750,967
Government contributions	–	–	–	–	73,720	–	73,720
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	23,135	–	–	(23,135)	–
At 31 December 2011 and 1 January 2012	3,273,160	(546,272)	75,828	1,209,762	1,495,737	112,743	5,620,958
Profit for the year	–	–	–	–	–	449,464	449,464
Other comprehensive expenses for the year							
Fair value changes of available-for-sale financial assets	–	–	–	(72,766)	–	–	(72,766)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	18,191	–	–	18,191
Total comprehensive (expenses) income for the year	–	–	–	(54,575)	–	449,464	394,889
Dividend recognised as distribution	–	–	–	–	–	(214,288)	(214,288)
Government contributions	–	–	–	–	40,712	–	40,712
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	45,802	–	–	(45,802)	–
At 31 December 2012	3,273,160	(546,272)	121,630	1,155,187	1,536,449	302,117	5,842,271

60. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) The reserves of the Company

(i) In October 2007, Sinoma Group entered into an irrevocable guarantee agreement with the Ministry of Commerce of the PRC ("MOC"), which released a guarantee previously provided by the Company to a subsidiary of Sinoma Group on a special foreign aid fund loans lent by MOC to such subsidiary. According to the agreement, Sinoma Group will assume the responsibility as the guarantor of the loans. The provision made by the Company for such guarantee, amounting to RMB98,700,000, was reversed and accounted for as an equity contribution from Sinoma Group.

During the year ended 31 December 2012, national funds amount to RMB40,712,000 (2011: RMB73,720,000) are contributed by the PRC Government to the Company through Sinoma Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

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

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners.

The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2012, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB45,802,000 (2011: RMB23,135,000), to the statutory surplus reserve.

(iii) Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2012 has incorporated a profit of approximately RMB449,464,000 (2011: loss of approximately RMB59,800,000) arising from the financial statements of the Company.

(iv) Internal reorganisation

Balance represented the difference between the Company's investment cost in Ningxia Building Materials and the fair value of the shares in Ningxia Saima acquired pursuant to the internal reorganisation.

"Articles of Association" or "Articles"	The articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"Baotou Group"	Baotou Industrial Group Co,. Ltd. (寶投實業集團有限公司)
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"BBMG Corporation"	BBMG Corporation
"Board"	the board of Directors of the Company
"CBMI Construction"	CBMI Construction Co., Ltd. (中材建設有限公司), a wholly-owned subsidiary of Sinoma International
"CCDRI"	Chengdu Cement Industry Design & Research Institute Co., Ltd. (成都水泥工業設計研究院有限公司), a limited liability company incorporated under the laws of the PRC
"Chengdu Company"	Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. (成都建築材料工業設計研究院有限公司), a non-wholly owned subsidiary of the Company
"Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
"CTG"	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares of RMB1.00 each in the capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Equipment Company"	Sinoma Equipment Group Co., Ltd. (中材裝備集團有限公司), a non-wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries

"H Shares"	overseas listed foreign shares of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange
"Handan Sinoma"	Handan Sinoma Asset Management Co., Ltd. (邯鄲中材資產管理有限公司), a limited liability company incorporated under the laws of the PRC
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"LNVT"	LNV Technology Private Limited, a limited liability company incorporated in India
"NCDRI"	Nanjing Cement Industry Design & Research Institute Co., Ltd. (南京水泥工業設計研究院有限公司), a limited liability company incorporated under the laws of the PRC
"Ningxia Building Materials"	Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China, which for the purpose of this annual report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qilianshan Co."	Gansu Qilianshan Cement Group Company Limited (甘肅祁連山水泥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600720), a subsidiary of the Company
"Qilianshan Holdings"	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the People's Republic of China

"SCRI"	Suzhou Concrete Cement Product Research Institute Company Limited (蘇州混凝土水泥製品研究院有限公司), a non-wholly owned subsidiary of the Company
"Sinoma (Hong Kong)"	China National Materials (Hong Kong) Co., Limited (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
"Sinoma Asset Management"	Sinoma Asset Management (Suzhou) Company Limited (中材資產管理(蘇州)有限公司), a limited liability company incorporated under the laws of the PRC
"Sinoma Cement"	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
"Sinoma E&E"	Sinoma Equipment & Engineering Corp., Ltd. (中國中材東方國際貿易有限公司), a wholly owned subsidiary of Sinoma International
"Sinoma Energy Conservation"	Sinoma Energy Conservation Ltd. (中材節能股份有限公司), a subsidiary of the Parent
"Sinoma International"	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma Property Management"	Tangshan Sinoma Property Management Company Limited (唐山中材物業服務有限公司), a limited liability company incorporated under the laws of the PRC
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002080), a subsidiary of the Company
"Sinoma Suzhou"	Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司), a wholly-owned subsidiary of Sinoma International

"Strategy Committee"	the strategy committee of the Board
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Taishan Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"TCDRI"	Tianjin Sinoma Asset Management Company Limited (天津中材資產管理有限公司), formerly known as Tianjin Cement Industry Design & Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司), a limited liability company established under the laws of the PRC
"Tianjin Engineering"	China Building Materials Industry Construction Tianjin Engineering Co., Ltd. (中國建築材料工業建設天津工程有限公司), a limited liability company established under the laws of the PRC
"Tianjin Mining"	Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司), a wholly-owned subsidiary of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
"XJ Jianhua Industry"	Xinjiang Jianhua Industry Co., Ltd. (新疆建化實業有限責任公司), a non-wholly owned subsidiary of the Parent
"XJ Sinoma Chemical"	Xinjiang Sinoma Fine Chemical Co., Ltd. (新疆中材精細化工有限責任公司), a non-wholly owned subsidiary of the Company
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company

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