MATERIALS

BRING A PROSPEROUS LIFE

Annual Report **2013**

China National Materials Company Limited

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

(Stock Code: 01893)

CONTENTS

CORPORATE INFORMATION	2
CORPORATE PROFILE	4
CORPORATE STRUCTURE	5
FINANCIAL SUMMARY	6
BUSINESS SUMMARY	7
CHAIRMAN'S STATEMENT	8
MANAGEMENT DISCUSSION AND ANALYSIS	11
BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	25
DIRECTORS' REPORT	33
SUPERVISORY COMMITTEE'S REPORT	47
CORPORATE GOVERNANCE REPORT	49
INDEPENDENT AUDITOR'S REPORT	63
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	65
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	66
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	67
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	69
CONSOLIDATED STATEMENT OF CASH FLOWS	72
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	75
DEFINITIONS	265

CORPORATE INFORMATION

As at 31 December 2013

DIRECTORS

Executive Directors[1]

LIU Zhijiang *(Chairman)*

LI Xinhua *(Vice-chairman)*

Non-executive Directors[2]

YU Shiliang

ZHANG Hai

LI Jianlun

YU Guobo

TANG Baoqi

Independent Non-executive Directors[2]

LEUNG Chong Shun

LU Zhengfei

WANG Shimin

ZHOU Zude

Supervisors

XU Weibing *(Chairman)*

ZHANG Renjie

WANG Jianguo

WANG Yingcai[3]

QU Xiaoli

STRATEGY COMMITTEE[4]

LIU Zhijiang *(Chairman)*

YU Shiliang

LI Xinhua

ZHANG Hai

LI Jianlun

YU Guobo

ZHOU Zude

AUDIT COMMITTEE

LU Zhengfei *(Chairman)*

WANG Shimin

YU Shiliang[5]

REMUNERATION COMMITTEE

WANG Shimin *(Chairman)*[6]

LEUNG Chong Shun

LU Zhengfei

NOMINATION COMMITTEE

LIU Zhijiang *(Chairman)*[7]

WANG Shimin[8]

ZHOU Zude

1 On 5 February 2013, Mr. LIU Zhijiang was re-designated from a non-executive Director to an executive Director of the Company 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 from an executive Director to a non-executive Director. Please refer to the announcement of the Company dated 5 February 2013 for details.

2 On 30 July 2013, Mr. LI Jianlun and Mr. YU Guobo were appointed as non-executive Directors of the Company, and Mr. SHI Chungui ceased to be an independent non-executive Director of the Company. Please refer to the announcement of the Company dated 30 July 2013 for details.

3 On 30 July 2013, Mr. YU Xingmin ceased to be a Supervisor of the Company, and Mr. WANG Yingcai was appointed as a Supervisor of the Company. Please refer to the announcement of the Company dated 30 July 2013 for details.

4 On 5 February 2013, Mr. LIU Zhijiang was appointed as the Chairman of the Strategy Committee in place of Mr. YU Shiliang. On 30 July 2013, Mr. ZHANG Hai, Mr. LI Jianlun and Mr. YU Guobo were appointed as members of the Strategy Committee.

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

6 On 30 July 2013, Mr. WANG Shimin was appointed as the Chairman of the Remuneration Committee in place of Mr. SHI Chungui.

7 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.

8 On 30 July 2013, Mr. WANG Shimin was appointed as a member of the Nomination Committee in place of Mr. SHI Chungui.

As at 31 December 2013

SECRETARY TO THE BOARD

GU Chao

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

LIU Zhijiang[1]
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

[1] On 5 February 2013, Mr. LIU Zhijiang was appointed as the authorised representative of the Company in place of Mr. Yu Shiliang.

CORPORATE PROFILE

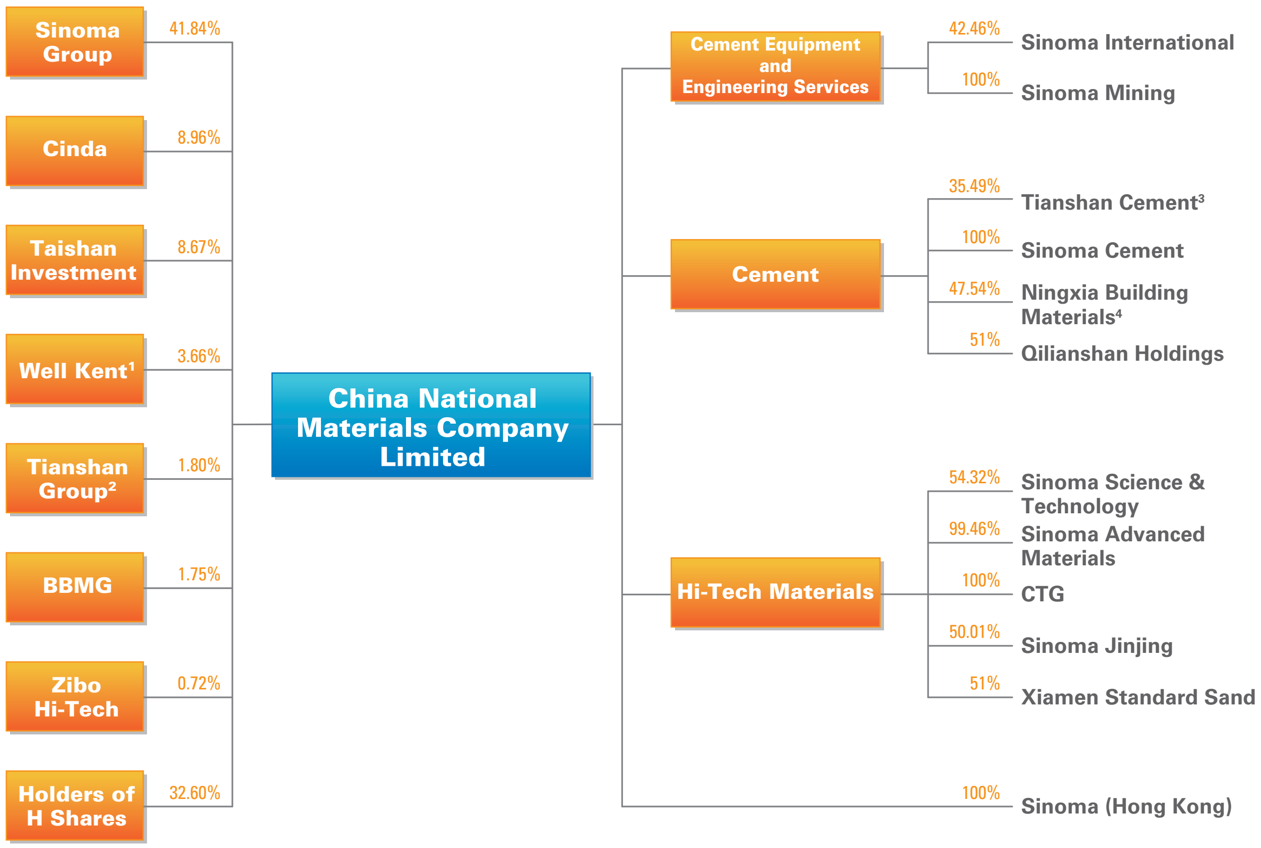
China National Materials Company Limited is a joint stock company approved by the State-owned Assets Supervision and Administration Commission of the State Council and established jointly by China National Materials Group Corporation Ltd. and other promoters. The Company was incorporated on 31 July 2007 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 2013



Notes:

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

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

3. The equity interest in Tianshan Cement held by the Company increased from 35.39% to 35.49% as a result of the repayment made by Great Wall Guoxing Financial Leasing Co., Ltd. (formerly known as Xinjiang Finance Lease Company Limited) (a shareholder of Tianshan Cement) with 907,182 shares in March 2013 which was advanced by the Company during the share segregation reform of Tianshan Cement in 2006.

4. The equity interest in Ningxia Building Materials held by the Company decreased from 47.57% to 47.54% as a result of the compensation made by the Company to Ningxia Building Materials with the 137,792 shares held by the Company in Ningxia Building Materials (these shares had been transferred in April 2013) pursuant to the Agreement for the Compensation of the Difference between Actual Earning and Net Profit Forecast of Qingtongxia Cement and the Supplemental Agreement to the Agreement for the Compensation of the Difference between Actual Earning and Net Profit Forecast of Qingtongxia Cement entered into by Ningxia Building Materials and the Company as well as the Assurance Report on the Fulfillment of Earning Forecast for 2012 of Ning Xia Qingtongxia Cement Co. Ltd. issued by ShineWing Certified Public Accountant LLP. Please refer to the announcements of the Company dated 27 September 2010, 29 October 2010, 7 December 2010, 13 January 2011, 10 March 2011, 29 March 2011, 8 July 2011, 11 November 2011 and 22 December 2011 respectively.

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

FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB million	RMB million	RMB million	RMB million	RMB million
		(Restated)[3]	*(Restated)*[2]	*(Restated)*[1]	
Turnover	**52,081.32**	46,187.07	50,718.59	44,497.16	30,367.97
Profit for the year	**1,465.41**	1,545.84	3,964.50	3,409.72	1,997.52
Profit for the year attributable to owners of the Company	**397.51**	452.29	1,462.57	1,099.98	719.50
Earnings per Share – Basic (RMB)	**0.11**	0.13	0.41	0.31	0.20

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB million	RMB million	RMB million	RMB million	RMB million
		(Restated)[3]	*(Restated)*[2]	*(Restated)*[1]	
Total assets	**94,512.03**	88,004.71	79,746.88	67,204.60	49,760.24
Total liabilities	**66,343.88**	60,707.49	55,963.82	46,551.92	35,795.19
Equity attributable to owners of the Company	**11,405.24**	11,477.77	10,978.01	9,788.04	8,264.06
Equity per Share (RMB)	**3.19**	3.21	3.07	2.74	2.31

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 2012, which were under common control.

3. The figures for 2012 have been restated due to the completion of acquisitions of Handan Sinoma Asset Management Co., Ltd., Chengdu Cement Industry Design & Research Institute Co., Ltd., Tianjin Sinoma Asset Management Company Limited, China Building Materials Industry Construction Tianjin Engineering Co., Ltd., Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. and Nanjing Fiberglass Research & Design Institute Co., Ltd. (all were under common control), the change from proportion consolidation to equity method of accounting of jointly controlled entities and the adjustment of defined benefit obligations during the reporting period.

BUSINESS SUMMARY

Cement Equipment And Engineering Services

	2013	2012	Change (%)
Amount of new order intakes (RMB million)	**34,212**	30,832	10.96
Amount of backlog (RMB million) - as at 31 December	**56,742**	55,187	2.82

Cement

	2013	2012	Change (%)
Sales volume of cement ('000 tonnes)	**74,700**	63,020	18.53
Sales volume of clinker ('000 tonnes)	**10,030**	8,800	13.98

High-tech Materials

	2013	2012	Change (%)
Sales volume of glass fiber and products ('000 tonnes)	**448**	442	1.36
Sales volume of fan blades for wind power generators (set)	**1,816**	1,267	43.33
Sales volume of solar-energy fused silica crucibles (unit)	**37,300**	32,265	15.61
Sales volume of natural gas cylinders (unit)	**254,471**	205,318	23.94

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I present to you the annual report and results of the Company for 2013, and to report to you on the development focus of the Company for 2014.

In 2013, despite the slow recovery in the global economy, the aftermath of the global financial crisis persisted, leading to stagnant international trade and greater pressure from trade protectionism. Affected by several factors such as excessive production capacity and insufficient effective demand (especially shrinking overseas demand), the PRC economy was faced with greater downward pressure. Responding to the complicated external environment and increasingly intensified market competition, the Company aggressively exploited new market and proactively adjusted industrial structure, meanwhile strived to increase revenue and efficiency and reduce expenses and costs, so as to effectively curb the decline in profits and continuously strengthen its market competitiveness. During the reporting period, turnover of the Group was RMB52,081.32 million, representing a year-on-year increase of 12.76%. Profit for the year was RMB1,465.41 million, representing a year-on-year decrease of 5.20%. Profit for the year attributable to owners of the Company was RMB397.51 million, representing a year-on-year decrease of 12.11%. Earnings per share of the Company amounted to RMB0.11.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Facing the significant decline in the fixed asset investments in domestic cement industry and the complicated and volatile environment of the international market, the segment aggressively explored the overseas markets by leveraging on its market competitive strength and advantages in the industry, with the amount of new order intakes for the year amounting to RMB34.2 billion, representing a year-on-year increase of 11%, of which the amount of new order intakes from the overseas markets amounted to RMB23.3 billion, representing a year-on-year increase of 68%. As at 31 December 2013, the amount of backlog of the segment amounted to RMB56.7 billion, laying a solid foundation for the sustainable and healthy development of the segment in future.

CEMENT

The segment managed to overcome the dual adverse impacts of slowdown in the domestic economy and excessive production capacity in the cement industry, and reinforced marketing efforts to continuously increase its market share, achieving a year-on-year growth of 18% in the sales volume of cement and clinker. While maintaining its advantages in the regional market, the segment enhanced benchmark comparison management, continuously improved operation management and reduced production costs, resulting in a year-on-year decrease of 10% in the cost for each tonne of cement. Responding to the excessive production capacity in cement industry, the segment accelerated the phase-out of backward production capacity and technology upgrade of the existing production lines, so as to adjust its development pace at the right time and to the right extent. As at the end of 2013, the production capacity of cement amounted to 105.88 million tonnes. The segment continued to extend its industrial chain, with the production capacity of commercial concrete amounting to 32.65 million cubic meters. The scale of the cement and commercial concrete business maintained stable growth.

HIGH-TECH MATERIALS

Due to the impact of shrinking overseas demand, trade protection, excessive production capacity and weak domestic demand, the major product markets of the segment remained sluggish with difficulties in product sales and payment collection. In light of the unfavorable environment, the segment proactively expanded market coverage by forging alliance with strategic partners and adopting flexible sales strategies, meanwhile strived to strengthen its competitiveness by enhancing management capability, constantly reducing costs and optimizing process and workflows. The wind power fan blade business proactively developed new products, focusing on development of large-size fan blades to increase the added value of products, resulting in an increase of 3 percentage points in gross profit margin of products. The segment stepped up efforts to explore the domestic and overseas markets in the CNG cylinder business, with the sales volume increasing by 28% over the same period of last year. In addition to its efforts to enhance market promotion in the LNG cylinder business, the segment continued to improve product quality and production scale. The Company constantly adjusted its product mix and strengthened management on the coordinated development of sales and production in the glass fiber and products business, achieving a production-to-sales ratio of 103% during the reporting period.

PROSPECTS

In 2014, despite the overall slow recovery in the global economy, the path to recovery will remain very bumpy, and competition in the international market will become more intensified. The slowdown trend in overseas demand growth will not be obviously improved. Although the long-term prospect of the PRC economy is positive, the foundation for recovery is not very solid, thus the government will deepen reform and seek growth while maintaining stabilization. The market competition will get intensified, and efforts will be made to deepen structural adjustment. The increase in the costs of production essentials and the constraints in the resource and environment will constantly increase the pressure in cost. The benefits and temporary setbacks brought by reform will impose far-reaching impact on the future development of the Company. Seizing the opportunities brought by deepening of reform, structural adjustment as well as promotion of urbanization and the development of the central and western regions, the Company will continuously optimize enterprise structure and resource allocation, enhance basic management, strengthen technology innovation and new product R&D and accelerate technology reform on existing industries and product upgrade, so as to enhance the market competitiveness of its products. Adhering to the industry development concept of "innovation orientation, quality and efficiency and sustainable development", the Company will shift its focus from scale expansion to quality and efficiency. In an effort to further deepen the strategy of "overseas expansion", the Company will continuously increase the share of overseas assets and businesses, step up efforts in exploring the international market, facilitate the transition from domestic-oriented operation to internationalized operation and make continuous efforts to innovate its business model, so as to improve the influence of the SINOMA brand and its capability for technology innovation. By enhancing its capability in strategic leading, the Company will allocate quality assets to the high-end of the industrial chain and value chain, and proactively promote the extension of industrial chain into the professional and high-end market. Furthermore, the Company will strive to reduce costs and increase efficiency, allocate funds reasonably, reduce financing costs and improve capital utilization, so as to maintain stable growth of the business.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

The cement equipment and engineering services segment will continue to explore the international market, in an effort to continuously increase its market share in Asia and Africa and strengthen the exploration of the cement engineering EPC market focusing on states and regions including India, Russia and South America. The segment will proactively explore the domestic market in energy conservation and environmental protection and technology reform of cement enterprises. While maintaining its competitive edge in the cement engineering service market, the segment will continue to perfect and innovate its business model, improve product and service quality, and facilitate the diversified development in the related industries. The segment will actively develop the business of diversified engineering services, increase the share of spare parts and post-service businesses, and vigorously promote the business of co-disposal of waste, sludge and urban garbage by cement kiln. The segment will further strengthen its efforts in the R&D of equipments, accelerating the expansion of the equipment manufacturing business into the mining, metallurgical, chemical and power industries.

CEMENT

The release of the "State Council's Guidelines on Addressing Severe Overcapacity Contradiction" and the "Notice on Curbing the Blind Expansion of Industries with Serious Overcapacity jointly issued by National Development and Reform Commission and the Ministry of Industry and Information Technology", and the increasing efforts by the local governments in eliminating backward production capacities and closing over-polluted enterprises, will help to promote the positive development of cement industry. The segment will seize the opportunities brought to the industry by the State's economic policy to strengthen construction of new urbanization and the renovation of squatter settlements as well as the State Council's decision to further expedite railway construction in the central and western regions to vigorously enhance its influence and control over the market and continuously improve its profitability. In light of market layout, the segment will deepen benchmark comparison management, speed up technology reform and upgrade on existing production lines, promote energy conservation and emission reduction, reduce production costs and proactively promote the expansion of the business of co-disposal of industrial waste materials and urban garbage by cement kiln. Leveraging on the favourable policies provided by the State for "overseas expansion", the segment will speed up its investments in overseas markets.

HIGH-TECH MATERIALS

In light of the domestic and international economic environment and the market changes, the high-tech materials segment will continue to deepen strategy implementation and target management, strengthen innovation in various key factors such as management, technology and business model, enhance control on product quality and production process, in an effort to cut costs, reduce inventories and trade receivables and improve operating efficiency of assets. The segment will adjust its production and sales strategies in a timely manner, with an aim to maintain its leading position in the wind power fan blade and natural gas cylinder industries. The wind power fan blade business will continue to step up efforts in new product development and increase the proportion of production and sale of large-size fan blades, striving to maintain a higher gross profit margin of the products and promote the implementation of internationalization strategy on a timely basis. Tapping on the favourable market opportunities, the natural gas cylinder business will speed up the establishment of sales channels and seek for more strategic partners. Efforts will be made to further standardize the management on the production lines of the solar-energy fused silica crucibles and other high-tech materials, so as to enhance qualified product rate. The glass fiber and products business will continue to reduce production costs and adjust products mix, in an effort to improve product competitiveness.

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your long-term support to the Company and also thank the management and all staff of the Company for their dedication and hard work for the Group.

LIU Zhijiang
Chairman of the Board

28 March 2014

BUSINESS REVIEW

Overview

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

During the reporting period, the global economy in general showed a trend of slow recovery. There were still many uncertainties about the future development, and competition in the international market became more intensified. Although an overall recovery trend in the international cement project construction market was still missing, some regional markets had shown active performance. The long term prospect of the domestic economy was positive, but the foundation for a stabilized market with steady growth was not solid enough. Affected by excessive production capacity, the additional cement and clinker production capacity in China recorded a growth of 94.3 million tonnes in 2013, representing a significant decline as compared to that of 2012. The fixed asset investments in domestic cement industry completed in 2013 amounted to RMB132.86 billion, representing a year-on-year decrease of 3.70%. The number of new production lines in domestic cement industry was dropping rapidly year by year.

Business Review

Continuously enhancing exploitation of the international market to maintain its market shares

During the reporting period, the Company enhanced adjustment in operating strategy, shifting market exploration from focusing on both the domestic and international markets to focusing on the international market with the domestic market as supplement. The Company aggressively expanded overseas sales channels and made full use of the influence of its brand name, in an effort to further explore the potential markets such as the Middle East, Southeast Asia, South America, Europe and Africa. The amount of overseas new order intakes for the year amounted to RMB23.259 billion, representing a year-on-year increase of 67.66%. The amount of new EPC order intakes from the international market ranked first in terms of market share for the sixth consecutive years.

Achieving overall smooth progress in projects under construction and further improving contract performance capability

The Company always took it as a priority to strengthen its contract performance capability and improve service quality, and achieved remarkable results. During the reporting period, a total of twelve EPC projects have received Final Acceptance Certificate (FAC) and eleven EPC projects have received Provisional Acceptance Certificate (PAC), in which, the EPC project of phase II cement production line with 5,300t/d of the Silemani Cement Plant (SCP) in Iraq was honored the "Overseas Construction Project Luban Award" by the China Construction Industry Association. Despite many unfavorable factors, and with advanced preparation and careful planning, the EPC project of HCC5,000t/d cement production line in Saudi Arabia was eventually completed as scheduled and was honored the "Special Contribution Award" by the Saudi Arabia government. The excellent performance of overseas contracts helped to promote the establishment of company brand and offered great support to boost our market competitive strength.

Enhancing cooperation to improve international operation capability

During the reporting period, the Company forged alliance with some world-known enterprises such as Lafarge to cooperate with these companies in establishment of international brand, financing, management, talent cultivation, technology innovation and industry complementary development, global resource allocation and international market exploration. Focusing on improvement of the core tache of the industrial chain and achieving global resource allocation by channeling investments overseas, the Company successfully acquired LNVT, a cement equipment and engineering company in India, so as to realize local operation and promote exploration of the Indian market, enhancing the export and brand influence of our cement equipment business in the Indian market.

Making new R&D achievements and continuously enhancing technical competitiveness

The Company further improved the enterprise-centered and market-oriented R&D system supported by industry, academy and research. Strengthening collaborative innovations and conducting R&D to meet the demands of industrial development, it has gained the R&D and manufacturing capabilities in the fields of integrated sludge disposal as well as waste gasification technology and equipment; meanwhile, it also further accelerated the transformation of scientific research results and effectively promoted the development of the industry. The TRMR60.4 raw materials vertical roller mill with the largest production per hour, a product manufactured by the Company in China, passed the new product assessment organized by China Building Materials Federation and filled the domestic blank of single raw materials vertical roller mill with a production of 6000 to 7000 tonnes per day to support cement clinker production lines. The crushing and grinding equipment have entered the metallurgical and mining markets.

CEMENT

Industry Review

During the reporting period, the domestic cement industry started to show a rebound trend. Although the industry witnessed a sluggish situation in the first half of the year, it benefited from investment in fixed assets and the rapid development of the real estate industry in the second half as well as the increasing downstream demands and recorded an annual total production of cement of 2.42 billion tonnes, representing a year-on-year increase of 9.3%. As regards supply, as China enhanced policy control over the cement industry and other industries with excessive production capacity, and local governments stepped up their efforts to eliminate backward production capacity and shut down enterprises with emissions beyond the standards, the excessive growth of production capacity was effectively curbed, new production capacity in China further declined and the oversupply situation was mitigated. The profitability of the industry was improved as evidenced by the whole industry's annual profit of RMB76.6 billion, or a year-on-year increase of 16.4%.

Business Review

Implementing prudent development strategy to respond to industry overcapacity

Facing the industry-wide overcapacity situation, the segment maintained a prudent development momentum, controlled the investment and construction rate of new cement and commercial concrete mixing station projects, accelerated the elimination of backward production capacity, and increased the technical transformation and optimization and upgrade of existing production lines. During the reporting period, the production capacity of cement and commercial concrete reached 105.88 million tonnes and 32.65 million cubic meters respectively.

Optimizing the operation capability of the segment and continuing to enhance the competitive advantage

Focusing on operational optimization, this segment continuously carried out management optimization and technical innovations for the existing production lines, improved the performance indicators of the production lines, and constantly reduced the product manufacturing costs of the segment. During the reporting period, the costs per tonne of cement fell by 10% as compared to the previous year, and standard coal consumption per tonne of clinker fell by 0.8 kilogram as compared to the previous year. As the product costs continued to decline, the competitive advantage of the segment was enhanced. As the overall environment of the industry became positive, the segment recorded a significant growth as compared to the previous year.

Continuing to implement the strategy of energy conservation and emission reduction and fulfilling corporate social responsibility

The segment was always committed to energy conservation and emission reduction of cement production lines, and continued to earnestly fulfill corporate social responsibility. During the reporting period, the segment invested in the construction of waste heat power generation capacity of 55.5MW, the installed capacity totaled 348.5MW, and the accumulated power generation for the year reached 1,528.488 million kwh, reducing 1.3718 million tonnes of carbon dioxide emission; in accordance with the new standards concerning nitrogen oxides emissions from the cement industry issued by the Ministry of Environmental Protection of the People's Republic of China, the segment continued to build supportive denitrification systems for cement clinker production lines. So far, over 50% of the production lines have run the denitrification systems.

HIGH-TECH MATERIALS

Industry Review

During the reporting period, the global economy recorded slow recovery. Except for the wind power fan blade industry which presented a rebound trend, the other industries were exposed to sluggish markets and intensifying competitions. The wind power fan blade industry witnessed overall improvement as the State Grid launched several projects to promote wind power grid integration, which continuously optimized the layout of wind power development and mitigated the "abandoning wind power" scenario to some extent. In 2013, the newly installed capacity of China's wind power industry amounted to approximately 16.1GW, representing a year-on-year increase of 24%. The CNG cylinder industry was exposed to intensifying market competitions at home and abroad, and the demand for natural gas at the domestic market dropped due to the increase of price; as regards the overseas markets, while the new cylinder factories in China, India and other countries commenced production, the demands from the traditional consumption countries (Pakistan, Thailand, Uzbekistan, etc.) dropped significantly due to policies and gas prices, resulting in increasingly heated competitions. The situation of the domestic and overseas markets of the glass fiber industry was more severe and complicated than 2012 as the growth rate of domestic economy slowed down and the downstream enterprises of the glass fibre composite materials industry chain faced overall depression. 2013 was the most depressed year for electronic yarn and electronic glass fabrics in the history. The glass roving, yarn and electronic glass fabric products recorded industry-wide loss; as regards the overseas markets, the U.S. and Japan markets remained relatively stable, but their growth was limited; the consumption volume of glass fibers in Middle East was similar to that of 2012 and only half of that of 2008; the Indian market remained subdued; Europe was still at low ebb. The solar-energy fused silica crucibles industry picked up slightly, but has not got completely out of the trouble.

Business Review

Strengthening technical innovations and driving quality improvement and cost control

During the reporting period, leveraging on the advantages of sophisticated R&D platform and the super R&D team, the high-tech materials segment continuously strengthened technical innovations, kept optimizing the production process, improved labor productivity, improved product performance and cut down overall costs. In particular, the average sales costs of wind power fan blades decreased by 10.80% while the gross margin increased by 3.17 percentage points as compared with the previous year respectively. The average sales costs of CNG cylinders decreased by 1.12% while the gross margin increased by 3.14 percentage points as compared with the previous year respectively.

Enhancing the management of inventory and accounts receivable and improving efficiency of fund application

During the reporting period, the high-tech materials segment continuously strengthened the management of the enterprise's inventory and accounts receivable, tried to reduce the proportions of inventory and accounts receivable to income, cut down the funds taken up and reduced operational risks. The proportion of inventory to turnover dropped by 5 percentage points while the proportion of accounts receivable to turnover dropped by 3 percentage points.

Optimizing customer management and developing the market in a comprehensive way

During the reporting period, the high-tech materials segment continued to optimize customer management by implementing classified management of customers. While retaining old customers, the segment continuously explored new customers. Each key product has realized customer diversification, thus avoiding the risks due to a single customer and increasing the market share at the same time. The production and sales volume of wind power fan blades continued to lead the domestic market. The sales volume of cylinder also achieved relatively big growth.

FINANCIAL REVIEW

	Year ended 31 December 2013 RMB million	Year ended 31 December 2012 RMB million *(Restated)*	Change RMB million	%
Turnover	**52,081.32**	46,187.07	5,894.25	12.76
Cost of sales	**(42,069.19)**	(37,829.05)	(4,240.14)	11.21
Gross profit	**10,012.13**	8,358.02	1,654.11	19.79
Other gains	**1,391.84**	1,452.56	(60.72)	(4.18)
Selling and marketing expenses	**(1,822.56)**	(1,553.64)	(268.92)	17.31
Administrative expenses	**(5,450.37)**	(4,651.29)	(799.08)	17.18
Exchange (loss) gain	**(85.26)**	1.69	(86.95)	(5,144.97)
Other expenses	**(53.32)**	(31.81)	(21.51)	67.62
Operating profit	**3,992.46**	3,575.53	416.93	11.66
Interest income	**139.25**	170.09	(30.84)	(18.13)
Finance costs	**(1,961.95)**	(1,683.51)	(278.44)	16.54
Share of results of associates	**66.35**	7.37	58.98	800.27
Share of results of joint ventures	**(27.27)**	(10.67)	(16.60)	155.58
Profit before tax	**2,208.84**	2,058.80	150.04	7.29
Income tax expense	**(743.43)**	(512.96)	(230.47)	44.93
Profit for the year	**1,465.41**	1,545.84	(80.43)	(5.20)
Profit for the year attributable to:				
Owners of the Company	**397.51**	452.29	(54.78)	(12.11)
Non-controlling interests	**1,067.90**	1,093.55	(25.65)	(2.35)
Dividends	**71.43**	107.14		

Results Performance

During the reporting period, profit before tax of the Group was RMB2,208.84 million, representing a year-on-year increase of 7.29%. Profit for the year attributable to owners of the Company was RMB397.51 million, representing a year-on-year decrease of 12.11%. Earnings per share of the Company was RMB0.11.

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 2013 was RMB52,081.32 million, representing an increase of 12.76% as compared with RMB46,187.07 million in 2012. The increase was mainly due to the increase in the turnover of the cement segment. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB316.77 million, increased by RMB3,906.87 million and increased by RMB807.26 million, respectively.

Cost of Sales

Cost of sales of the Group in 2013 was RMB42,069.19 million, representing an increase of 11.21% as compared with RMB37,829.05 million in 2012. The increase was mainly due to the increase in product sales volume of the cement segment. In particular, cost of sales of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB150.74 million, increased by RMB2,043.69 million and increased by RMB680.95 million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2013 was RMB10,012.13 million, representing an increase of 19.79% as compared with RMB8,358.02 million in 2012. In particular, gross profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB467.51 million, increased by RMB1,863.18 million and increased by RMB126.31 million, respectively.

Gross margin of the Group in 2013 was 19.22%, representing an increase of 1.12 percentage points as compared with 18.10% in 2012.

Other Gains

Other gains of the Group in 2013 were RMB1,391.84 million, representing a decrease of 4.18% as compared with RMB1,452.56 million in 2012 which was mainly due to the decrease in gains from disposal of long-term equities.

Selling and Marketing Expenses

Selling and marketing expenses of the Group in 2013 were RMB1,822.56 million, representing an increase of 17.31% as compared with RMB1,553.64 million in 2012. 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 increased by RMB13.97 million, increased by RMB217.51 million and increased by RMB37.45 million, respectively.

Administrative Expenses

Administrative expenses of the Group in 2013 were RMB5,450.37 million, representing an increase of 17.18% as compared with RMB4,651.29 million in 2012. The increase was mainly due to the significant increase in impairment loss recognised in respect of assets. In particular, administrative expenses of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB279.16 million, increased by RMB520.15 million and increased by RMB12.89 million, respectively.

Exchange (Loss) Gain

Exchange loss of the Group in 2013 was RMB85.26 million, representing a decrease of 5,144.97% as compared with the exchange gain of RMB1.69 million in 2012. The decrease was mainly due to the large amount of deposits denominated in foreign currency held by the Group and the appreciation of the RMB during the period.

Other Expenses

Other expenses of the Group in 2013 were RMB53.32 million, representing an increase of 67.62% as compared with RMB31.81 million in 2012. The increase was mainly due to the increase in loss from the disposal of fixed assets.

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2013 was RMB3,992.46 million, representing an increase of 11.66% as compared with RMB3,575.53 million in 2012. In particular, operating profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB761.25 million, increased by RMB1,175.64 million and decreased by RMB139.98 million, respectively.

Operating profit margin in 2013 was 7.67%, representing a decrease of 0.07 percentage point as compared with 7.74% in 2012.

Interest Income

Interest income of the Group in 2013 was RMB139.25 million, representing a decrease of 18.13% as compared with RMB170.09 million in 2012.

Finance Costs

Finance costs of the Group in 2013 were RMB1,961.95 million, representing an increase of 16.54% as compared with RMB1,683.51 million in 2012. The increase was mainly due to the expansion of the scale of financing.

Share of Results of Associates

Share of results of associates of the Group in 2013 was RMB66.35 million, representing an increase of 800.27% as compared with RMB7.37 million in 2012. The increase was mainly due to the increase of the results of some associates and the disposal of some loss-making associates during the period.

Share of Results of Joint Ventures

Share of results of joint ventures of the Group in 2013 was a loss of RMB27.27 million, representing an increase of 155.58% as compared with a loss of RMB10.67 million in 2012. The increase was mainly due to the increase of losses made by some joint ventures during the period.

Income Tax Expense

Income tax expense of the Group in 2013 was RMB743.43 million, representing an increase of 44.93% as compared with RMB512.96 million in 2012, mainly due to the significant growth in the result of the cement segment during the period as compared with the corresponding period of last year.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests of the Group in 2013 was RMB1,067.90 million, representing a decrease of 2.35% as compared with RMB1,093.55 million in 2012.

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 2013 was RMB397.51 million, representing a decrease of 12.11% as compared with RMB452.29 million in 2012.

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

	2013	2012	Change
	RMB million	RMB million	%
		(Restated)	
Turnover	**22,668.36**	22,985.13	(1.38)
Cost of sales	**19,611.94**	19,461.20	0.77
Gross profit	**3,056.42**	3,523.93	(13.27)
Selling and marketing expenses	**190.81**	176.84	7.90
Administrative expenses	**2,380.65**	2,101.49	13.28
Segment results	**541.09**	1,302.34	(58.45)

Turnover

Turnover of the cement equipment and engineering services segment in 2013 was RMB22,668.36 million, representing a decrease of 1.38% as compared with RMB22,985.13 million in 2012. The decrease was mainly due to the significant decrease in sales revenue of trading.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2013 was RMB19,611.94 million, representing an increase of 0.77% as compared with RMB19,461.20 million in 2012, mainly due to the increase in business volume of the main businesses.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2013 was RMB3,056.42 million, representing a decrease of 13.27% as compared with RMB3,523.93 million in 2012. Gross margin of the cement equipment and engineering services segment decreased by 1.85 percentage points from 15.33% in 2012 to 13.48% in 2013. The decrease was mainly attributable to the decrease in contract price due to severe market competition.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2013 were RMB190.81 million, representing an increase of 7.90% as compared with RMB176.84 million in 2012, mainly due to the increase in labor costs.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment in 2013 were RMB2,380.65 million, representing an increase of 13.28% as compared with RMB2,101.49 million in 2012. The increase was mainly due to the significant increase in impairment loss.

Segment Results

Based on the above, results of the cement equipment and engineering services segment in 2013 were RMB541.09 million, representing a decrease of 58.45% as compared with RMB1,302.34 million in 2012.

Cement

	2013 **RMB million**	2012 RMB million	Change %
Turnover	**24,451.88**	20,545.01	19.02
Cost of sales	**18,763.64**	16,719.95	12.22
Gross profit	**5,688.24**	3,825.06	48.71
Selling and marketing expenses	**1,284.20**	1,066.69	20.39
Administrative expenses	**2,142.10**	1,621.95	32.07
Segment results	**3,079.68**	1,904.04	61.74

Turnover

Turnover of the cement segment in 2013 was RMB24,451.88 million, representing an increase of 19.02% as compared with RMB20,545.01 million in 2012. The increase was mainly due to the increase in product sales volume.

Cost of Sales

Cost of sales of the cement segment in 2013 was RMB18,763.64 million, representing an increase of 12.22% as compared with RMB16,719.95 million in 2012. The increase was mainly due to the increase in product sales volume.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2013 was RMB5,688.24 million, representing an increase of 48.71% as compared with RMB3,825.06 million in 2012. Gross margin of the cement segment increased by 4.64 percentage points from 18.62% in 2012 to 23.26% in 2013. The increase was mainly due to the decrease in unit production costs.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2013 were RMB1,284.20 million, representing an increase of 20.39% as compared with RMB1,066.69 million in 2012. The increase was mainly due to the significant increase in packaging and transportation costs as a result of the increase in product sales volume.

Administrative Expenses

Administrative expenses of the cement segment in 2013 were RMB2,142.10 million, representing an increase of 32.07% as compared with RMB1,621.95 million in 2012. The increase was mainly due to the increase in impairment loss of assets and the increase in administrative expenses as a result of increase in the production capacity.

Segment Results

Based on the above, results of the cement segment in 2013 were RMB3,079.68 million, representing an increase of 61.74% as compared with RMB1,904.04 million in 2012.

High-tech Materials

	2013	2012	Change
	RMB million	RMB million	%
		(Restated)	
Turnover	**6,802.69**	5,995.43	13.46
Cost of sales	**5,341.12**	4,660.17	14.61
Gross profit	**1,461.57**	1,335.26	9.46
Selling and marketing expenses	**347.56**	310.11	12.08
Administrative expenses	**868.56**	855.67	1.51
Segment results	**589.04**	729.02	(19.20)

Turnover

Turnover of the high-tech materials segment in 2013 was RMB6,802.69 million, representing an increase of 13.46% as compared with RMB5,995.43 million in 2012. The increase was mainly due to the increase in sales volume of the major products.

Cost of Sales

Cost of sales of the high-tech materials segment in 2013 was RMB5,341.12 million, representing an increase of 14.61% as compared with RMB4,660.17 million in 2012. The increase was mainly due to the increase in sales volume of the major products.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2013 was RMB1,461.57 million, representing an increase of 9.46% as compared with RMB1,335.26 million in 2012. Gross margin of the high-tech materials segment decreased by 0.78 percentage point from 22.27% in 2012 to 21.49% in 2013. The decrease was mainly due to the decrease in the gross margin of the fiberglass products.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2013 were RMB347.56 million, representing an increase of 12.08% as compared with RMB310.11 million in 2012. The increase was mainly due to the increase of the transportation costs.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2013 were RMB868.56 million, representing an increase of 1.51% as compared with RMB855.67 million in 2012.

Segment Results

Based on the above, results of the high-tech materials segment in 2013 were RMB589.04 million, representing a decrease of 19.20% as compared with RMB729.02 million in 2012.

Liquidity and Capital Resources

Cash flows:

	2013	2012
	RMB million	RMB million
		(Restated)
Net cash from operating activities	**496.93**	1,592.36
Net cash used in investing activities	**(2,891.54)**	(5,743.77)
Net cash from financing activities	**474.48**	3,103.93
Cash and cash equivalents at the end of the year	**7,270.06**	9,235.27

Net cash from operating activities

Net cash from operating activities decreased from RMB1,592.36 million in 2012 to RMB496.93 million in 2013. The decrease was mainly due to the increase in trade and other receivables.

Net cash used in investing activities

Net cash used in investing activities decreased from RMB5,743.77 million in 2012 to RMB2,891.54 million in 2013. The decrease was mainly due to the decrease in the investment in fixed assets.

Net cash from financing activities

Net cash from financing activities decreased from RMB3,103.93 million in 2012 to RMB474.48 million in 2013. The decrease was mainly due to the decrease in equity finance on a year-on-year basis.

Working Capital

As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB7,270.06 million (2012: RMB9,235.27 million). Unutilised bank credit facilities amounted to RMB30,125.71 million (2012: RMB31,172.86 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2013 decreased to 82.28% (2012: 88.18%).

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 2013, the net debt ratio of the Group was 94.74% (2012: 80.46%).

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 2013, the balance of the Group's borrowings amounted to RMB35,337.37 million.

	31 December 2013 RMB million	31 December 2012 RMB million *(Restated)*
Short-term borrowings and long-term borrowings due within one year	**16,257.82**	15,749.45
Short-term financing bills	**2,900.00**	400.00
Long-term borrowings, net of portions due within one year	**7,931.43**	9,280.60
Corporate bonds	**2,492.78**	2,490.24
Medium-term notes	**5,755.34**	5,253.61
Total borrowings	**35,337.37**	33,173.90

Net Current Liabilities

As at 31 December 2013, the net current liabilities of the Group was approximately RMB8,587.84 million, representing an increase of RMB3,629.52 million as compared with the net current liabilities of RMB4,958.32 million as at 31 December 2012. The increase was mainly due to the increase in the short-term borrowings, short-term financing bills and trade and other payables.

Inventory Analysis

As at 31 December 2013, the inventory of the Group was approximately RMB8,773.28 million, representing an increase of RMB379.93 million as compared with RMB8,393.35 million as at 31 December 2012. The inventory turnover days decreased from 78.63 days in 2012 to 73.45 days in 2013.

Trade Receivables

As at 31 December 2013, the Group's trade receivables was approximately RMB12,497.38 million, representing an increase of RMB2,125.83 million as compared with the trade receivables of RMB10,371.55 million as at 31 December 2012. In 2013, the average turnover days of trade receivables of the Group increased by 5.17 days from 73.87 days in 2012 to 79.04 days in 2013, which was due to the longer turnover day of the receivables of the commercial concrete products and the increase in its sales volume.

Contract Work-in-Progress

As at 31 December 2013, the Group's contract work-in-progress was approximately RMB255.94 million (as at 31 December 2012: RMB270.03 million).

Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments with carrying values of RMB1,079.59 million and RMB49.33 million respectively as at 31 December 2013 were pledged as security (31 December 2012: RMB3,305.17 million and RMB107.38 million respectively).

Contingent Liabilities

	2013	2012
	RMB'000	RMB'000
Outstanding guarantees	–	30,000
Total	–	30,000

Material Investment

On 21 June 2013, Ningxia Building Materials, a non-wholly owned subsidiary of the Company, and XSGF entered into an equity transfer agreement, pursuant to which Ningxia Building Materials agreed to acquire 55% equity interest in WXC held by XSGF for a cash consideration of RMB264,110,000. The transaction was completed on 5 July 2013, and WXC became a wholly-owned subsidiary of Ningxia Building Materials and an indirect subsidiary of the Company. Details of the transaction are set out in the announcement of the Company dated 21 June 2013 on the websites of the Hong Kong Stock Exchange and the Company.

On 30 August 2013, CBMI Construction, an indirect subsidiary of the Company, entered into an equity transfer agreement with Tianjin Company and Tianlianhai Company, pursuant to which CBMI Construction agreed to acquire 100% equity interest in Zhongke Hongsheng, 80% of which from Tianjin Company and 20% of which from Tianlianhai Company, for a total consideration of RMB253,900,000. The acquisition was completed on 12 September 2013, and Zhongke Hongsheng became 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 30 August 2013 on the websites of the Hong Kong Stock Exchange and the Company.

On 30 August 2013, Sinoma International, a non-wholly owned subsidiary of the Company, entered into a share purchase agreement with SK (a German company), pursuant to which Sinoma International could obtain the 59.09% equity interest in Hazemag & EPR GmbH held by SK through acquisition and additional capital contribution. In accordance with the agreement, the transaction was executed by two steps. As the agreement contained conditions precedent clause, the agreement might or might not take effect and be executed. Currently, Sinoma International is implementing relevant approval or filing procedures with the domestic authorities. Details of the transaction are set out in the announcements of the Company dated 2 September, 24 September and 30 October 2013 respectively on the websites of the Hong Kong Stock Exchange and the Company.

On 13 September 2013, Qilianshan Co., a non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with all the former shareholders of Runji Cement, pursuant to which Qilianshan Co. acquired 100% equity interests in Runji Cement from the former shareholders of Runji Cement for a total consideration of RMB265,594,600. The acquisition was completed on 1 November 2013, and Runji Cement became a wholly-owned subsidiary of Qilianshan Co. and an indirect subsidiary of the Company. Details of the transaction are set out in the announcement of the Company dated 13 September 2013 on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed above, the Company did not make any other material investment during the reporting period.

Material Acquisitions and Disposals of Assets

Save the relevant acquisitions as disclosed in the above section headed "Material Investment", the Company did not have any material acquisition or disposal of assets in respect of its subsidiaries and associates during the reporting period.

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.

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. The Company cleared out the contracts at hand and had 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 for projects 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 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 bears 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 56, 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 two A share-listed companies, namely Sinoma International and Tianshan Cement, since April 2006 and January 2014, respectively, 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 49, 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 was the chairman of the board of Sinoma Science & Technology, an A share-listed company, from May 2003 to May 2013, 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 four listed companies, namely, Sinoma Science & Technology, Qilianshan Co., Sinoma International and Ningxia Building Materials, since May 2003, June 2011, July 2011 and December 2011, respectively, and as a director of Sinoma Finance since April 2013. 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 59, 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, as a director of BBMG Corporation, a listed company, since October 2012 and as a director of Sinoma Finance since April 2013. 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 55, 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 30 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.

LI Jianlun, aged 56, has been a non-executive Director since July 2013. Mr. Li has served as the vice general manager of the Parent since April 1997 and as the director of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心), currently a subsidiary body of the Parent, since September 2007. Mr. Li had served in China Construction Materials and Geological Prospecting Center at several positions such as the division head of the personnel division, the division head of the planning division, and the assistant to director from July 1982 to April 1997, served as the director of our predecessor, China National Non-Metallic Materials Corporation from February 2002 to July 2007 and also served as the director of Tianshan Cement from October 2005 to December 2011. Mr. Li graduated from the Department of Economics and Management of Hebei Geological Institute with a bachelor's degree in August 1982. Mr. Li is a senior economist.

YU Guobo, aged 57, has been a non-executive Director since July 2013. Mr. Yu has served as the vice general manager of the Parent since November 1998. Mr. Yu had served in Shandong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院) at several positions such as engineer, vice director and director of research office, vice head and head of the institute from January 1982 to November 1997, and during this period, Mr. Yu was accredited at Italian WELKO Company as the engineer from October 1988 to October 1989. Mr. Yu had served as the vice general manager of China Inorganic Materials Technology Industrial Company (中國無機材料科技實業公司) from November 1996 to November 1998. Mr. Yu graduated from Wuhan University of Technology (武漢理工大學) with a doctor's degree majoring in information management in December 2007. Mr. Yu is a professorate senior engineer and is entitled to a special government allowance provided by the State Council.

TANG Baoqi, aged 54, is a non-executive Director. Mr. Tang has over 30 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 48, 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 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, and served as an independent non-executive director of China Metal Recycling (Holdings) Limited from May 2009 to August 2013. 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.

LU Zhengfei, aged 50, 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), an executive director 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, 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, an independent non-executive director of Mit Automobile Service Co., Ltd. (an unlisted company) since February 2012 and an independent non-executive director of Bank of China Limited since July 2013. 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 65, 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 68, is an independent non-executive Director. 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 54, 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 has been a supervisor of Sinoma Science & Technology (an A share-listed company) since December 2001 and also the chairman of Sinoma Finance since April 2013. 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 49, 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 57, 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.

Wang Yingcai, aged 42, has been a supervisor of the Company since July 2013. Mr. Wang has served as the director of the audit department of the Company since August 2007 and as the current supervisor of several subsidiaries of the Company. Mr. Wang worked at the finance division of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心) from July 1994 to April 1997, worked at the finance department of the Parent from April 1997 to April 2004, and served as the finance manager and vice chief accountant of Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司) from April 2004 to August 2007. Mr. Wang has served as the chief auditor of the Parent since December 2010 and as the director of the audit department of the Parent since May 2011. Mr. Wang has served as the supervisor of two A share-listed companies, namely of Qilianshan Co. since October 2011 and of Ningxia Building Materials since December 2011, and served as the chairman of the supervisory committee of Sinoma Finance since April 2013. In July 2007, Mr. Wang graduated from the Research Institute of the Ministry of Finance with a master's degree majoring in accounting. Mr. Wang is a senior accountant and a registered tax agent.

QU Xiaoli, aged 43, 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 and he is also currently supervisor of several subsidiaries of the Company. 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, and has been a supervisor of Sinoma Finance since April 2013. Mr. Qu graduated from Hebei College of Geology (河北地質學院) 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 50, 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 for over 25 years in the non-metallic 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 53, 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 51, 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 59, 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 49, 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 served as a director of Tianshan Cement from October 2005 to December 2013, and has been serving as a director of Ningxia Building Materials since December 2008. Mr. Sui enjoys special government allowances from the state Council, and is currently the vice president of China Cement Association (中國水泥協會). 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.

WANG Baoguo, aged 58, 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 2003 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 and as the chairman of Yangzhou Zhongke Semiconductor Lighting Co., Ltd. (currently a subsidiary of the Parent) since February 2011. Mr. Wang also served as the general manager of Sinoma Jinjing from February 2004 to June 2011, and the chairman from February 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 55, is the vice president of the Company. 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, and served as the chairman of the board of Ningxia Building Materials from November 2005 to November 2013. Mr. Wang has also been serving as a director of two A share-listed companies, namely Ningxia Building Materials and Tianshan Cement, since October 2013 and January 2014, respectively. 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 57, 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), the vice president of China Building Materials Federation (中國建築材料聯合會) 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 48, 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 49, is the vice president of the Company. 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 and as the vice chairman of China Building Materials Federation from March 2009 to November 2013. 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 50, 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 2013, together with the audited financial statements of the Group for the year ended 31 December 2013.

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 56(a) to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 and the financial information of the Group as at 31 December 2013 are set out in the audited consolidated financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2013 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 RMB0.02 per share (tax inclusive) in an aggregate amount of RMB71.43 million for the year ended 31 December 2013.

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 2013 is set out below:

Name	Position	Gender	Age	Term
LIU Zhijiang	Chairman of the Board and Executive Director	Male	56	30 July 2013 – 29 July 2016
LI Xinhua	Vice-chairman of the Board and Executive Director President	Male	49	30 July 2013 – 29 July 2016
YU Shiliang	Non-executive Director	Male	59	30 July 2013 – 29 July 2016
ZHANG Hai	Non-executive Director	Male	55	30 July 2013 – 29 July 2016
LI Jianlun	Non-executive Director	Male	56	30 July 2013 – 29 July 2016
YU Guobo	Non-executive Director	Male	57	30 July 2013 – 29 July 2016
TANG Baoqi	Non-executive Director	Male	54	30 July 2013 – 29 July 2016
LEUNG Chong Shun	Independent non-executive Director	Male	48	30 July 2013 – 29 July 2016
LU Zhengfei	Independent non-executive Director	Male	50	30 July 2013 – 29 July 2016
WANG Shimin	Independent non-executive Director	Male	65	30 July 2013 – 29 July 2016
ZHOU Zude	Independent non-executive Director	Male	68	30 July 2013 – 29 July 2016
XU Weibing	Chairman of the Supervisory Committee	Female	54	30 July 2013 – 29 July 2016
ZHANG Renjie	Supervisor	Male	49	30 July 2013 – 29 July 2016
WANG Jianguo	Supervisor	Male	57	30 July 2013 – 29 July 2016
WANG Yingcai	Supervisor	Male	42	30 July 2013 – 29 July 2016
QU Xiaoli	Supervisor	Male	43	30 July 2013 – 29 July 2016

The term of office of all Directors is not more than 3 years.

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

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 2013, 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 2013, 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%
Lazard Asset Management LLC	H Shares	Long position	118,136,964	10.15%	3.31%
National Council for Social Security Fund	H Shares	Long position	94,253,115	8.10%	2.64%

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 2013, 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 2013.

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 2013.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns 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 LISTED SECURITIES

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company or any of its subsidiaries.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2013, the addition of property, plant and equipment of the Group was approximately RMB7,417.45 million. Details of the movements are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the movement of the Group's reserves during the year 2013 are set out in the "Consolidated Statement of Changes in Equity" of this report.

EMPLOYEES

As at 31 December 2013, the Group had 57,935 employees. Details of employee benefits for the year are set out in note 17 to the consolidated financial statements.

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 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 performance 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 distinctive employee category and their job nature.

The Company stringently controlled the management of the total amount of salaries of its 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 39 to the consolidated 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 of the Company in 2012 and 2013 did not fulfill the vesting conditions as required under the share appreciation rights scheme, 2,320,000 share appreciation rights would not be vested to the remaining 14 Directors and senior management members and became lapsed. The vesting of the remaining 1,160,000 share appreciation rights to the remaining 14 Directors and senior management members 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 consolidated financial statements, the remunerations of other senior management of the Company fell within the following bands:

	2013 (person)
0 to RMB500,000	10
RMB500,001 to RMB1,000,000	2
	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 cannot be terminated 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 material contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and which was subsisting at the end of the year 2013 or at any time during the year 2013.

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 2013, 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 2013, 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 2013 are as follows:

2.1. Acquisition of 100% equity interest held by the Parent in SDRI by Suzhou Company

On 8 January 2013, Suzhou Company, a non-wholly owned subsidiary of the Company, entered into the SDRI Equity Transfer Agreement with the Parent, pursuant to which Suzhou Company agreed to acquire a 100% equity interest in SDRI held by the Parent for a cash consideration of RMB60,541,200. The acquisition was completed on 19 March 2013, and SDRI has therefore become a wholly-owned subsidiary of Suzhou Company and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 8 January 2013 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 for the Group in future by way of acquisition of the relevant land use rights and property owned by SDRI.

2.2. Acquisition of 100% equity interest held by the Parent in NRDI by Sinoma Science & Technology

On 19 August 2013, Sinoma Science & Technology, a non-wholly owned subsidiary of the Company, entered into the NRDI Equity Transfer Agreement with the Parent, pursuant to which Sinoma Science & Technology agreed to acquire a 100% equity interest in NRDI held by the Parent for a cash consideration of RMB186,107,000. The acquisition was completed on 5 December 2013, and NRDI has therefore become a wholly-owned subsidiary of Sinoma Science & Technology and an indirect subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 19 August 2013 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) further integrate the assets of the Group; (ii) reduce connected transactions and further optimize the corporate governance structure; and (iii) generate higher return for the Group in future by way of efficient management on the undeveloped land and properties owned by NRDI after the acquisition.

3. Non-exempted Continuing Connected Transactions

The Group entered into certain non-exempted continuing connected transactions in 2013. The table below sets out the annual caps and the actual transaction amounts of such transactions:

Connected Transactions		**Expenditure** Actual amount *RMB*	**Expenditure** Cap *RMB*	**Revenue** Actual amount *RMB*	**Revenue** Cap *RMB*
Property Lease Framework Agreement	(1)	12,313,040	40,000,000	–	–
Mutual Supply of Services Framework Agreement	(2)	451,667,800	1,400,000,000	11,832,852	20,000,000
Mutual Supply of Products Framework Agreement	(3)	195,174,099	750,000,000	127,991,797	130,000,000

		Deposit Services (Maximum daily balance (including accrued interests)) Actual amount *RMB*	**Deposit Services (Maximum daily balance (including accrued interests))** Cap *RMB*	**Other Financial Services (Services fee payable to Sinoma Finance)** Actual amount *RMB*	**Other Financial Services (Services fee payable to Sinoma Finance)** Cap *RMB*
Financial Services Framework Agreement	(4)	758,615,470	3,100,000,000	60,000	100,000,000

3.1 Property Lease Framework Agreement

In order to regulate the property lease arrangements between the Parent Group (other than the Group) and the Group, a property lease framework agreement was renewed between the Parent and the Company on 12 October 2012.

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' dormitories) 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-prescribed price or state-recommended price, then the relevant market price; 4) where there is no such price or such price is not applicable, then the contracted price, which shall be determined on the basis of reasonable cost plus reasonable profit margin and by reference to the historical rentals.

The property lease framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the property lease framework agreement shall be renewed for a further term of three years, subject to the relevant 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.

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 the Parent Group for 2013 under the above property lease framework agreement was RMB40,000,000 and the actual total rental incurred was approximately RMB12,313,040.

3.2 Mutual Supply of Services Framework Agreement

On 12 October 2012, the Company entered into the Mutual Supply of Services Framework Agreement with the Parent, pursuant to which, the Company agreed that the Group supplied to the Parent Group certain services (including but not limited to supply of electricity, water and heating, design services and resources for power); whereas the Parent agreed that the Parent Group supplied to the Group certain services (including but not limited to the Engineering, Procurement and Construction (EPC) of surplus energy electricity generation, project construction, exploration, equipment repair and installation, and logistics services).

Under the mutual supply of services framework 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 on the basis of reasonable cost plus reasonable profit margin and by reference to the historical figures for preceding years.

The mutual supply of services framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the mutual supply of services framework agreement shall be renewed for a further term of three years, subject to the relevant 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.

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 certain services to the Parent Group by the Group for 2013 was RMB20,000,000 and the actual revenue incurred was approximately RMB11,832,852; b) the annual cap on expenditure from the provision of certain services to the Group by the Parent Group for 2013 was RMB1,400,000,000 and the actual expenditure incurred was approximately RMB451,667,800.

3.3 Mutual Supply of Products Framework Agreement

On 12 October 2012, the Company entered into the Mutual Supply of Products Framework Agreement with the Parent, pursuant to which, the Company agreed that the Group purchased for self-use and the Parent agreed that the Parent Group sold certain products (including but not limited to equipment and parts, raw materials, fuel oil and precious metals); whereas the Parent agreed that the Parent Group purchased for self-use or for export to the third parties independent from the Group as the Group was lack of the relevant export license and the Company agreed that the Group sold certain products (including but not limited to cement, commercial concrete, equipment, ceramic knife and Alumina).

Under the mutual supply of products framework 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 on the basis of reasonable cost plus reasonable profit margin and by reference to the historical figures for preceding years.

The mutual supply of products framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the mutual supply of products framework agreement shall be renewed for a further term of three years, subject to the relevant 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.

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 sale of certain products to the Parent Group by the Group for 2013 was RMB130,000,000 and the actual revenue incurred was approximately RMB127,991,797; b) the annual cap on expenditure from the sale of certain products to the Group by the Parent Group for 2013 was RMB750,000,000 and the actual expenditure incurred was approximately RMB195,174,099.

3.4 Financial Services Framework Agreement

On 24 May 2013, the Company and Sinoma Finance entered into the Financial Services Framework Agreement, pursuant to which Sinoma Finance agreed to provide the deposit services, loan services and other financial services to the Group[1].

The pricing principles of the financial services to be provided by the Sinoma Finance to the Group under the Financial Services Framework Agreement are as follows:

1) In respect of deposit services, the interest rates for deposits provided to the Group by the Sinoma Finance shall not be lower than the lowest rate allowed by the PBOC for similar types of deposits. Subject to the above, the interest rates for deposits shall be the higher of (a) the same as or higher than the interest rates for similar types of deposits payable by Sinoma Finance to other members of the Parent Group under the same conditions or (b) the same as or higher than the interest rates for similar types of deposits provided by normal commercial banks in the PRC under the same conditions.

2) In respect of loan services[2], the interest rates for loans provided to the Group by Sinoma Finance shall not be higher than the upper limit allowed by the PBOC for the similar types of loans. Subject to the above, the interest rates for the loans shall be the lower of (a) the same as or lower than the interest rates charged by Sinoma Finance to other members of the Parent Group for the similar loans under the same conditions or (b) the same as or lower than the interest rates for the similar loans charged by normal commercial banks in the PRC under the same conditions.

3) In respect of other financial services, the fees for other financial services charged by the Sinoma Finance shall not be higher than the upper limit (if applicable) of the fees stipulated by the PBOC. Subject to the above, the fees shall be the lower of (a) the same as or lower than the fees for similar types of financial services charged by Sinoma Finance to other members of the Parent Group under the same conditions and (b) the same as or lower than the fees for similar types of financial services charged by normal commercial banks in the PRC under the same conditions.

[1] Other financial services under the Financial Services Framework Agreement, including but not limited to bills acceptance and discounting services, assistance in achieving the collection and payment of the transactions proceeds, clearing and settlement services, financial leasing, financial advising, credit verification and related consulting, agency services and other business approved by CBRC.

[2] In respect of the loan services provided by Sinoma Finance to the Group, as the Group did not pledge any asset of the Group as security for the loans, and the loan services was on the common commercial terms, therefore, the loan services under the Financial Services Agreement were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The term of the financial services framework agreement commenced from 30 July 2013 and ending on 31 December 2015. Details of the transaction are set out in the announcements of the Company dated 24 May 2013 and 30 July 2013, respectively, on the websites of the Hong Kong Stock Exchange and the Company.

Sinoma Finance is a subsidiary of the Parent, the controlling Shareholder of the Company, and therefore Sinoma Finance is a connected person of the Company under the Listing Rules.

During the reporting period, a) in respect of deposit services, the annual cap on maximum daily balance of deposits placed by members of the Group with Sinoma Finance (including accrued interests) for 2013 was RMB3,100,000,000, and the actual maximum daily balance (including accrued interests) amounted to approximately RMB758,615,470; b) in respect of other financial services, the annual cap on service fees payable to Sinoma Finance by members of the Group for 2013 was RMB100,000,000, and the actual service fees paid amounted to approximately RMB60,000.

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 3.4 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 the 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 54 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 3.4 above did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 54 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 the 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 the 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

Sinoma E&E, a wholly-owned subsidiary of Sinoma International (a subsidiary of the Company) involved into the following material legal matters:

Sinoma E&E filed civil actions to the court in respect of its contract disputes with Baotou Industrial Group Co., Ltd. and its five associate companies. The total value of the subject matter of the actions is RMB477,068,140.57. The mediation agreements had been reached by both parties. Details of the case are set out in the announcements of the Company dated 22 January 2013 and 14 March 2013 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with COSCO Supply Chain and Beijing CMST respectively. The values of the subject matter of the actions are RMB215,531,771.53 and RMB20.268 million respectively. Currently, each of COSCO Supply Chain and Beijing CMST has appealed to the court in respect of the first instance judgment, and no judgment of second instance has been made. Details of the cases are set out in the announcements of the Company dated 25 June 2013, 31 December 2013 and 18 January 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with the defendants including Shanghai Dingqi Trading Co,. Ltd. (上海鼎企商貿有限公司). The value of the subject matter of the actions is RMB106,553,277.02. Currently, the court has accepted the actions, and no judgment has been made. Details of the case are set out in the announcement of the Company dated 14 August 2013 on the websites of the Hong Kong Stock Exchange and the Company.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with the defendants including Shanghai Fuyuan Metal Materials Co., Ltd., and filed two civil actions to the court in respect of its contract disputes with the defendants including Shanghai Xinkuang Iron & Steel Co., Ltd.. Currently, the court has accepted the actions, and no judgment has been made. In addition, Sinoma E&E filed a civil action to the court in respect of its contract dispute with Hangzhou Bay Industrial Co., Ltd., which is currently at the stage of enforcement of letter of civil mediation. Details of the cases are set out in the announcement of the Company dated 8 January 2014 on the websites of the Hong Kong Stock Exchange and the Company.

Sinoma E&E filed a civil action to the court in respect of its contract dispute with SinoSteel Guangdong Co., Ltd.. The value of the subject matter of the action is RMB52,396,646.58. The action was dismissed by the court of first instance. Currently, Sinoma E&E has appealed to the court in respect of the first instance judgment, and no judgment of second instance has been made. Details of the case are set out in the announcements of the Company dated 25 June 2013 and 1 March 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Save as disclosed above, the Company had no other material legal matters during the reporting period.

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 2013. 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 by the Company since 16 December 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 had convened six meetings. At the twelfth meeting of the second session of the Supervisory Committee held on 25 March 2013, the Company's 2012 annual report, the audited financial report, the annual profit distribution proposal and the Supervisory Committee's report were considered and approved. At the thirteenth meeting of the second session of the Supervisory Committee held on 26 April 2013, the 2013 first quarterly financial statements of the Company were considered and approved. At the fourteenth meeting of the second session of the Supervisory Committee held on 24 May 2013, the re-election of the members of the Supervisory Committee were considered and approved. At the first meeting of the third session of the Supervisory Committee held on 30 July 2013, the candidate for the chairman of the third session of the Supervisory Committee was considered and approved. At the second meeting of the third session of the Supervisory Committee held on 26 August 2013, the 2013 interim report of the Company was considered and approved. At the third meeting of the third session of the Supervisory Committee held on 30 October 2013, the 2013 third quarterly financial statements of the Company were considered and approved. Mr. Zhang Renjie, a Supervisor, appointed Ms. Xu Weibing as his proxy to attend the twelfth meeting of the second session of the Supervisory Committee and the second meeting of the third session of the Supervisory Committee on behalf of him, and Mr. Yu Xingmin, a Supervisor, appointed Ms. Xu Weibing as his proxy to attend the fourteenth 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 nonvoting 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 2013 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.

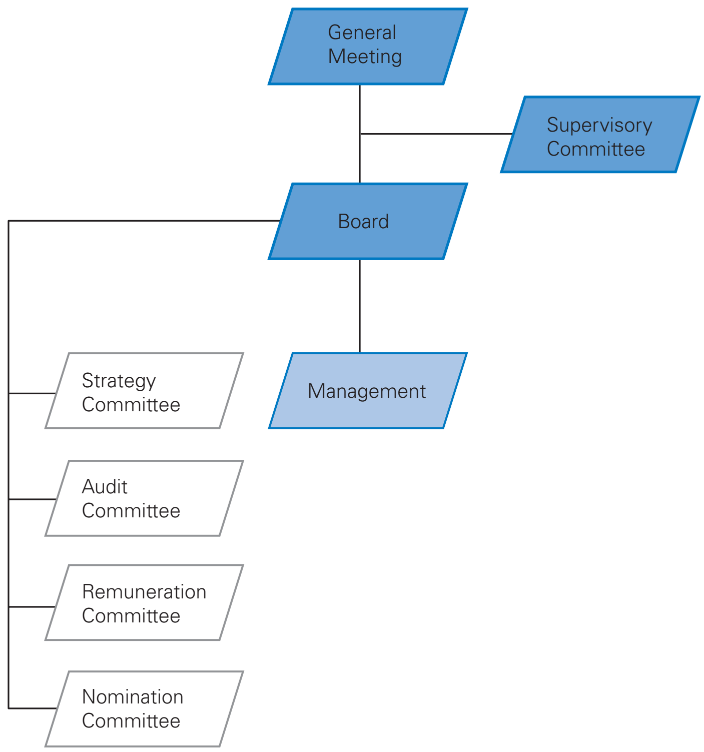
The Supervisory Committee confirms that the connected transactions between the Company and the Parent conducted during the reporting period were fair and reasonable and in the interests of the other shareholders and the Company as a whole. The Directors, president and other senior management of the Company 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 fully confident about the development prospects of the Company. In 2014, 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

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 Corporate Governance Report for the year 2012, as well as the disclosures made on the website of Hong Kong Stock Exchange and the Company Website; formulated, reviewed and supervised shareholders' 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 2013, the Company has fully complied with the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report".

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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 2013.

BOARD OF DIRECTORS

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

Name	Position	Gender	Age	Term
LIU Zhijiang	Executive Director and Chairman of the Board	Male	56	30 July 2013 to 29 July 2016
YU Shiliang	Non-executive Director	Male	59	30 July 2013 to 29 July 2016
LI Xinhua	Executive Director, Vice-chairman of the Board and President	Male	49	30 July 2013 to 29 July 2016
ZHANG Hai	Non-executive Director	Male	55	30 July 2013 to 29 July 2016
LI Jianlun	Non-executive Director	Male	56	30 July 2013 to 29 July 2016
YU Guobo	Non-executive Director	Male	57	30 July 2013 to 29 July 2016
TANG Baoqi	Non-executive Director	Male	54	30 July 2013 to 29 July 2016
LEUNG Chong Shun	Independent Non-executive Director	Male	48	30 July 2013 to 29 July 2016
LU Zhengfei	Independent Non-executive Director	Male	50	30 July 2013 to 29 July 2016
WANG Shimin	Independent Non-executive Director	Male	65	30 July 2013 to 29 July 2016
ZHOU Zude	Independent Non-executive Director	Male	68	30 July 2013 to 29 July 2016

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 2013, 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, operation and management 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 reform, division, restructuring and dissolution of Company's 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, financing, 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, Mr. YU Shiliang (from 1 January 2013 to 5 February 2013) and then Mr. LIU Zhijiang (from 5 February 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 positions 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 ten Board meetings were convened during 2013. The individual members' attendance rate of Board meetings is as follows:

Directors	**Number of Attendance**	**Number of Attendance by proxy**	**Attendance Rate**
LIU Zhijiang	10	0	100%
YU Shiliang	10	0	100%
LI Xinhua	10	0	100%
ZHANG Hai	10	0	100%
LI Jianlun	5	0	100%
YU Guobo	5	0	100%
TANG Baoqi	10	0	100%
LEUNG Chong Shun	10	0	100%
SHI Chungui	5	0	100%
LU Zhengfei	10	0	100%
WANG Shimin	10	0	100%
ZHOU Zude	10	0	100%

Note:

Mr. LI Jianlun and Mr. YU Guobo were appointed as the non-executive Directors of the Company on 30 July 2013. During their term of office, Mr. LI and Mr. YU attended all the five meetings of the Board in person.

Mr. SHI Chungui ceased to be the non-executive Director of the Company on 30 July 2013. During his term of office, Mr. SHI attended all the five 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 two general meetings were convened during 2013. The attendance rate of the Directors is as follows:

Directors	Number of Attendance	Attendance Rate
LIU Zhijiang	2	100%
YU Shiliang	2	100%
LI Xinhua	2	100%
ZHANG Hai	2	100%
LI Jianlun	–	–
YU Guobo	–	–
TANG Baoqi	2	100%
LEUNG Chong Shun	2	100%
SHI Chungui	1	50%
LU Zhengfei	2	100%
WANG Shimin	2	100%
ZHOU Zude	2	100%

Note:

Mr. LI Jianlun and Mr. YU Guobo were appointed as the non-executive Directors of the Company on 30 July 2013. Since then and until the end of the reporting period, no general meeting was convened by the Company.

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 completely informed and relevant.

Other than their service contracts, the Directors and the Supervisors do not have any direct or indirect personal beneficial interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2013.

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

STRATEGY COMMITTEE

The composition and the changes of the Strategy Committee during the reporting period are set out below:

	Chairman	Member
1 January 2013 to 5 February 2013	YU Shiliang	LIU Zhijiang, LI Xinhua, ZHOU Zude
5 February 2013 to 30 July 2013	LIU Zhijiang	YU Shiliang, LI Xinhua, ZHOU Zude
From 30 July 2013	LIU Zhijiang	YU Shiliang, LI Xinhua, ZHANG Hai, LI Jianlun, YU Guobo, 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. At the third meeting of the second session of the Strategy Committee held on 20 March 2013, the Work Report of the President of China National Materials Company Limited for 2012 was approved and the financial budget (draft) and investment budget (draft) of the Company for 2013 was considered and then submitted to the thirty-first meeting of the second session of the Board for approval.

AUDIT COMMITTEE

The composition and changes of the Audit Committee during the reporting period are set out below:

	Chairman	Member
1 January 2013 to 5 February 2013	LU Zhengfei	WANG Shimin, LIU Zhijiang
From 5 February 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 2013, 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 four meetings were held for the year. At the fourteenth meeting of the second session of the Audit Committee held on 18 March 2013, the resolution regarding the submission of the 2012 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 domestic and international auditors respectively for 2013 were considered. At the fifteenth meeting of the second session of the Audit Committee held on 24 April 2013, the resolution regarding the submission of the 2013 Q1 financial report to the Board was considered. At the first meeting of the third session of the Audit Committee held on 20 August 2013, the resolution regarding the submission of the 2013 interim financial report to the Board was considered. At the second meeting of the third session of the Audit Committee held on 24 October 2013, the resolution regarding the submission of the 2013 Q3 financial report to the Board was considered. All the members of the Audit Committee attended the above four meetings.

REMUNERATION COMMITTEE

The composition and the changes of the Remuneration Committee during the reporting period are set out below:

	Chairman	**Member**
1 January 2013 to 30 July 2013	SHI Chungui	LEUNG Chong Shun, LU Zhengfei
From 30 July 2013	WANG Shimin	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 Remuneration Committee held two meetings. At the fourth meeting of the second session of the Remuneration Committee held on 22 March 2013, (1) the resolution regarding the payment proposal on remuneration for the Company's senior management for the year 2012 was heard and considered; (2) the administrative measures on the remuneration of the Company's senior management were heard and considered; (3) the resolution regarding the remuneration proposal for the Company's senior management for the year 2013 was heard and considered. At the first meeting of the third session of the Remuneration Committee held on 30 July 2013, the resolution regarding the remuneration proposal of the Directors of the Company was heard and considered. All the members of the Remuneration Committee attended the above two meetings.

NOMINATION COMMITTEE

The composition and the changes of the Nomination Committee during the reporting period are set out below:

	Chairman	Member
1 January 2013 to 5 February 2013	YU Shiliang	SHI Chungui, ZHOU Zude
5 February 2013 to 30 July 2013	LIU Zhijiang	SHI Chungui, ZHOU Zude
From 30 July 2013	LIU Zhijiang	WANG Shimin, 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.

During the reporting period, the Nomination Committee held two meetings. At the eighth meeting of the second session of the Nomination Committee held on 3 February 2013, Mr. LIU Zhijiang was recommended to serve as the chairman of the Company, and Mr. LI Xinhua was recommended to serve as the vice-chairman of the Company. At the ninth meeting of the second session of the Nomination Committee held on 20 May 2013, the number of independent non-executive Directors in the third session of the Board was reduced to four; Mr. LIU Zhijiang and Mr. LI Xinhua were recommended to serve as the executive Directors of the third session of the Board; Mr. YU Shiliang, Mr. ZHANG Hai, Mr. LI Jianlun, Mr. YU Guobo and Mr. TANG Baoqi were recommended to serve as the non-executive Directors of the third session of the Board; and Mr. LEUNG Chong Shun, Mr. LU Zhengfei, Mr. WANG Shimin and Mr. ZHOU Zude were recommended to serve as the independent non-executive Director of the third session of the Board. All the members of the Nomination Committee attended the above two meetings.

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

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered against objective criteria, together with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning, and also the merits and contribution to be made by the selected candidates. The composition of the Board (including gender, age and length of service) will be disclosed in the Corporate Governance Report annually.

CORPORATE GOVERNANCE FUNCTIONS

As approved by the Shareholders at the general meeting of the Company, the Rules of Procedures for the Board was amended to specify that the Board was responsible for performing the corporate governance functions as follows:

– to develop and review the corporate governance policies and practices of the Company and make recommendations to the Board;

– to review and monitor the training and continuous professional development of Directors and senior management;

– to review and monitor the Company's policies and practices on compliance with the legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

– to review the Company's compliance with the code and the relevant disclosure in the corporate governance report;

– to develop policies on communication with the Shareholders and review such policies on a regular basis to ensure its effectiveness.

During the reporting period, the Board held meetings to (1) review the Company's compliance with the code and the relevant disclosure in the corporate governance report; (2) to amend the Articles of Association, Rules of Procedures for the Board, Administrative System for Information Disclosure, Administrative System for Connected Transactions and Administrative System for Investor Relations. Furthermore, professional agencies were engaged to provide training for the Directors and senior management.

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 2013, respectively, and their remuneration was determined by the Audit Committee of the Board. The auditors' remuneration for their provision of audit services for 2013 amounted to RMB9 million. The auditors' remuneration for their provision of review services on the interim report and profit forecast in accordance with the Listing Rules of the Hong Kong Stock Exchange for 2013 amounted to RMB1.36 million. For provision of internal control audit services to the subsidiaries of the Company for 2013 as required by the domestic regulatory rules, the auditors' remuneration amounted to RMB1.93 million. Apart from the aforesaid fees, the Group did not incur any other non-audit fees.

COMPANY SECRETARIES

Mr. GU Chao and Mr. YU Leung Fai, the joint company secretaries of the Company, have confirmed that both of them had attended relevant professional training for no less than 15 hours during the reporting period.

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 two general meetings.

The Board and senior management of the Company understand that they are representing the overall interest of all the shareholders of the Company 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 management 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", "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.

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, in light of the practice of development and risk control, the Company strived to optimize and improve the existing risk management and internal control management system. Furthermore, it prepared, published and issued the Manual on Comprehensive Risk Management and Internal Control, establishing a relatively sound and effective comprehensive risk management and internal control system covering the whole Company, so as to enhance the Company's ability in risk prevention and control.

The Company conducted risk assessment and improved the risk database; rectified the weaknesses in workflow organization and perfected the relevant systems; established internal control assessment criteria and included internal control management of the business units into annual operation performance appraisal, so as to establish an assessment-oriented internal control working system.

By comprehensively combing the business, the Company improved the internal control framework, categorizing 55 workflow control businesses and 60 non-workflow control businesses. The Company developed management and control standards for each of the workflow and non-workflow businesses, and completed the preparation and revision of the Manual on Comprehensive Risk Management and Internal Control. The Company reviewed and analyzed the difference among the existing 223 items of rules and regulations, adding 16 new rules and 36 revisions which involved 108 key controlling points. By improving the rules and regulations, optimizing the business workflow, the Company strived to ensure and promote the implementation of all management systems and the smooth operation of all businesses. During the reporting period, the Company conducted internal control self-check across the Company, conducting self-check on the construction of the internal control system of each business unit and made rectification to the problems existing.

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, according to the Company's requirements of "steadily promoting internal reform, striving to create smooth communication channels, rationalize management system and improve decision-making efficiency, as well as continuously enhancing our development vitality and competitiveness", the Company proactively explored the establishment of a vertical management system of internal audit, setting up a management system structure in the form of the internal audit information management system based on responsibility assessment, whose key content aims to improve both the quality of audit projects and capability of audit staff under the regulatory requirements and restrictions of the system through the appraisal of audit staff based on the assessment of audit projects.

Secondly, in order to achieve the objective of lowering the cost for efficiency, the Company pushed ahead the audit of economic responsibilities and enhanced organization governance, risk event management, basic management and audit on construction projects.

Thirdly, focusing on the operation of the internal control system on risk management, the Group conscientiously carried out internal control self-assessment. The Group also formulated the Tentative Measures on Implementation of Internal Control Assessment, which clarifies the definition, principles, obligations, content and procedures of internal control assessment, criteria for identification of defects and assessment report, provides format for assessment report, and clearly specifies the quantitative and qualitative criteria for identification of internal control defects. In accordance with the Tentative Measures on Implementation of Internal Control Assessment, four non-listed companies were selected for trial assessment on group control and the system of "Three Important and One Large" from May to June 2013. The Company drew lessons on internal control assessment through the trial assessment, and conducted internal control self-assessment across the level two or three units under the Company in September 2013.

Fourthly, combining the management difficulties and hot topics, the Company strengthened project specific audit. The Company conducted three audit investigations and carried out audit on three investment projects. Through audit, the Company gained experiences and lessons on project management to have a understanding of project risks, so as to improve the effectiveness of project management.

Fifthly, focusing on the core business and sustainable development of the Company, proactive efforts were made to identify and make use of the audit findings, so as to realize the value of auditing. In respect of the problems identified through auditing, the Company pointed out the defects of internal control and the risks involved and provided management proposals covering specific units, departments and staff. The Company carried out rectification to improve the capability of corporate governance organs at all levels to perform their duties and responsibilities and prevent risks arising therefrom.

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 two shareholders' general meetings at which major matters of the Company were considered, such as 2012 audited financial report, profit distribution, re-election of the Board and continuing connected transactions etc.

The Company highly values investor relations and has set up a special telephone and electronic mail box for investors. The Company received enquiries from institutional investors by way of telephone and emails, and received over 450 visits from institutional investors; and ran two results releases and international non-deal road shows, and visited over 100 investors during the year. 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 the 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 meetings held on 24 May 2013 and 30 July 2013:

1. Article 10 has been amended as follows:

   "The scope of business of the Company shall be subject to that approved by the registration authority of the Company.

   The scope of business of the Company includes:

   Permitted business referred to contracting overseas projects compatible with the Company's capability, scale and performance, and the overseas dispatch of the labors undertaking the above-mentioned overseas projects. General business referred to the research, development, production and sale of inorganic non-metal materials; the design, production and sale of inorganic non-metal materials appliances; general project contractor; consultation and design of projects; business of import and export; the tenancy trade of mechanical plants and sales of parts for construction projects and mining, the related technical consultation and professional services for the above mentioned businesses.

   The Company could base on the domestic and foreign market situations, the development of business and the self-capacity to adjust its scope of business, and handle the relevant procedures for adjustment in accordance with the regulations."

2. Article 97 has been amended as follows:

   "The Company shall have a Board of Directors of the Company. The Board of Directors of the Company shall comprise 11 directors, of which at least 1/3 are independent directors. Independent directors may directly report to shareholders' general meeting, securities regulatory managing authority under the State Council and other related departments.

   The Board of Directors shall comprise one chairman and one vice chairman. The chairman and the vice chairman shall be elected and dismissed by all directors with over half of the votes. The term of office of the chairman and vice chairman shall be three years, after which the chairman and the vice chairman shall be eligible for re-election and re-appointment.

   The director does not need to hold shares of the Company.

   The number of the chairman, vice chairman and executive directors of the controlling shareholders acting as the chairman, vice chairman and executive directors of the Company shall not exceed two."

For details, please refer to the circulars published by the Company on 9 April 2013 and 7 June 2013 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 65 to 264, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2013 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
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Turnover	8	**52,081,316**	46,187,071
Cost of sales		**(42,069,189)**	(37,829,045)
Gross profit		**10,012,127**	8,358,026
Interest income	10	**139,248**	170,088
Other gains	11	**1,391,835**	1,452,558
Selling and marketing expenses		**(1,822,560)**	(1,553,642)
Administrative expenses		**(5,450,365)**	(4,651,292)
Exchange (loss) gain	12	**(85,263)**	1,687
Other expenses	13	**(53,317)**	(31,807)
Finance costs	14	**(1,961,946)**	(1,683,513)
Share of results of associates		**66,353**	7,365
Share of results of joint ventures		**(27,269)**	(10,674)
Profit before tax		**2,208,843**	2,058,796
Income tax expense	15	**(743,432)**	(512,956)
Profit for the year	16	**1,465,411**	1,545,840
Profit for the year attributable to:			
Owners of the Company		**397,512**	452,293
Non-controlling interests		**1,067,899**	1,093,547
		1,465,411	1,545,840
Earnings per share – basic and diluted (expressed in RMB per share)	20	**0.111**	0.127

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**1,465,411**	1,545,840
Other comprehensive (expenses) income		
Items that will not be subsequently reclassified to profit or loss:		
Actuarial loss on defined benefit obligations	**(16,195)**	(6,103)
Income tax relating to actuarial loss on defined benefit obligations	**4,425**	1,831
	(11,770)	(4,272)
Items that may be reclassified subsequently to profit or loss:		
Safety fund set aside	**137,510**	125,077
Utilisation of safety fund	**(83,577)**	(58,973)
Exchange differences arising on translation	**(45,079)**	(13,474)
Loss on fair value changes of available-for-sale financial assets	**(301,858)**	(59,790)
Income tax relating to fair value changes of available-for-sale-financial assets	**76,300**	16,245
	(216,704)	9,085
Other comprehensive (expenses) income for the year (net of tax)	**(228,474)**	4,813
Total comprehensive income for the year	**1,236,937**	1,550,653
Total comprehensive income attributable to:		
Owners of the Company	**169,069**	419,721
Non-controlling interests	**1,067,868**	1,130,932
	1,236,937	1,550,653

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	21	**45,210,186**	41,286,046	34,211,249
Prepaid lease payments	22	**3,853,959**	3,431,436	3,153,457
Investment properties	23	**176,004**	173,315	184,564
Intangible assets	24	**721,844**	738,371	501,651
Mining rights	26	**512,945**	483,087	477,166
Interests in associates	27	**863,718**	1,393,906	1,266,810
Interests in joint ventures	28	**134,238**	162,496	174,970
Available-for-sale financial assets	29	**2,022,555**	2,288,320	2,351,946
Deposits paid for acquisition of subsidiaries		**–**	–	101,400
Trade and other receivables	32	**87,611**	84,132	75,846
Other non-current assets		**220,328**	252,728	237,982
Deferred income tax assets	45	**832,197**	704,437	593,966
		54,635,585	50,998,274	43,331,007
Current assets				
Inventories	31	**8,773,280**	8,393,346	8,131,648
Trade and other receivables	32	**21,594,044**	16,647,778	15,664,360
Amounts due from customers for contract work	33	**599,010**	562,674	341,073
Prepaid lease payments	22	**131,052**	119,028	100,548
Derivative financial instruments	30	**21,169**	4,708	3,165
Other current assets		**107,875**	69,542	35,180
Restricted bank balances	34	**1,379,963**	1,974,089	1,919,043
Bank balances and cash	35	**7,270,055**	9,235,267	10,291,299
		39,876,448	37,006,432	36,486,316
Assets classified as held for sale		**–**	–	117,426
		39,876,448	37,006,432	36,603,742
Current liabilities				
Trade and other payables	36	**28,453,138**	24,983,094	22,815,894
Dividend payable		**8,117**	7,936	3,231
Amounts due to customers for contract work	33	**343,066**	292,648	131,295
Derivative financial instruments	30	**–**	657	138
Income tax liabilities		**426,190**	433,135	606,538
Short-term financing bills	37	**2,900,000**	400,000	800,000
Borrowings	38	**16,257,821**	15,749,447	13,466,246
Early retirement and supplemental benefit obligations	39	**50,897**	49,114	44,525
Provisions	41	**25,060**	48,724	41,398
		48,464,289	41,964,755	37,909,265
Liabilities classified as held for sale		**–**	–	12,038
		48,464,289	41,964,755	37,921,303
Net current liabilities		**(8,587,841)**	(4,958,323)	(1,317,561)
Total assets less current liabilities		**46,047,744**	46,039,951	42,013,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
Non-current liabilities				
Trade and other payables	*36*	**4,034**	4,645	4,120
Derivative financial instruments	*30*	**–**	–	775
Corporate bonds	*42*	**2,492,782**	2,490,239	2,487,829
Medium-term notes	*43*	**5,755,339**	5,253,610	4,352,670
Borrowings	*38*	**7,931,426**	9,280,599	9,641,003
Provisions	*41*	**56,460**	44,788	44,874
Deferred income	*44*	**764,333**	688,903	446,482
Early retirement and supplemental benefit obligations	*39*	**266,371**	282,752	297,813
Deferred income tax liabilities	*45*	**608,842**	697,199	707,858
		17,879,587	18,742,735	17,983,424
NET ASSETS		**28,168,157**	27,297,216	24,030,022
Capital and reserves				
Share capital	*46*	**3,571,464**	3,571,464	3,571,464
Reserves	*47*	**7,833,772**	7,906,308	7,650,061
Equity attributable to owners of the Company		**11,405,236**	11,477,772	11,221,525
Non-controlling interests		**16,762,921**	15,819,444	12,808,497
TOTAL EQUITY		**28,168,157**	27,297,216	24,030,022

The consolidated financial statements on pages 65 to 264 were approved and authorised for issue by the board of directors on 28 March 2014 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 2013

	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 2012, as originally reported	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
Effect of charges in accounting policies *(Note 3)*	–	–	–	–	–	–	–	(54,534)	57,089	2,555	120	2,675
Effect of adopting merger accounting for common control combination	–	–	124,184	–	–	–	–	147,925	(31,144)	240,965	3,323	244,288
At 1 January 2012, as restated	3,571,464	3,273,160	(752,740)	75,828	86,666	(12,523)	1,255,685	21,563	3,702,422	11,221,525	12,808,497	24,030,022
Profit for the year	–	–	–	–	–	–	–	–	452,293	452,293	1,093,547	1,545,840
Other comprehensive income (expenses)												
Actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	(3,400)	–	(3,400)	(2,703)	(6,103)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	1,457	–	1,457	374	1,831
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	–	–	–	–	–	(7,685)	–	–	–	(7,685)	(5,789)	(13,474)
(Loss) gain on 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	(7,685)	(50,659)	(1,943)	452,293	419,721	1,130,932	1,550,653
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 *(Note 48(b)(ii))*	–	–	–	–	–	–	–	–	–	–	105,235	105,235
Disposal of subsidiaries *(Note 50)*	–	–	–	–	–	–	–	–	–	–	(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, as restated	3,571,464	3,273,160	(950,788)	121,630	114,381	(20,208)	1,205,026	268,482	3,894,625	11,477,772	15,819,444	27,297,216

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 2013, as restated	3,571,464	3,273,160	(950,788)	121,630	114,381	(20,208)	1,205,026	268,482	3,894,625	11,477,772	15,819,444	27,297,216
Profit for the year	–	–	–	–	–	–	–	–	397,512	397,512	1,067,899	1,465,411
Other comprehensive income (expenses)												
Actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	(15,531)	–	(15,531)	(664)	(16,195)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	4,291	–	4,291	134	4,425
Safety fund set aside	–	–	–	–	97,545	–	–	–	–	97,545	39,965	137,510
Utilisation of safety fund	–	–	–	–	(57,911)	–	–	–	–	(57,911)	(25,666)	(83,577)
Exchange differences arising on translation	–	–	–	–	–	(26,661)	–	–	–	(26,661)	(18,418)	(45,079)
(Loss) gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	(307,290)	–	–	(307,290)	5,432	(301,858)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	–	–	–	77,114	–	–	77,114	(814)	76,300
Total comprehensive income (expenses) for the year	–	–	–	–	39,634	(26,661)	(230,176)	(11,240)	397,512	169,069	1,067,868	1,236,937
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(314,185)	(314,185)
Acquisition of subsidiaries *(Note 48(a)(i) & (ii))*	–	–	–	–	–	–	–	–	–	–	139,742	139,742
Transactions with non-controlling interests *(Note (iv))*	–	–	–	–	–	–	–	359,228	–	359,228	50,052	409,280
Government contributions *(Note (iii))*	–	–	–	–	–	–	–	21,880	–	21,880	–	21,880
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(107,144)	(107,144)	–	(107,144)
Merger reserves arising from common control combination	–	–	(515,569)	–	–	–	–	–	–	(515,569)	–	(515,569)
Appropriation to statutory surplus reserve	–	–	–	5,814	–	–	–	–	(5,814)	–	–	–
Capitalisation of reserve *(Note (vi))*	–	–	30,815	–	–	–	–	(30,815)	–	–	–	–
At 31 December 2013	3,571,464	3,273,160	(1,435,542)	127,444	154,015	(46,869)	974,850	607,535	4,179,179	11,405,236	16,762,921	28,168,157

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, government contributions and actuarial gain or loss on defined benefit obligations.

(iii) During the year ended 31 December 2013, national funds of approximately RMB21,880,000 (2012: RMB40,712,000) are contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

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

(iv) During the year ended 31 December 2013, the Group received RMB409,280,000 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 RMB50,052,000.

(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 2013, prior to the effective date of combination of the subsidiaries under common control (Note 49), capital reserves of RMB30,815,000 were converted into paid-in capital of these subsidiaries under common control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**2,208,843**	2,058,796
Adjustments for:		
Allowance for inventories	**147,997**	81,566
Amortisation of intangible assets	**39,340**	33,695
Amortisation of mining rights	**49,673**	43,463
Amortisation of prepaid lease payments	**86,439**	111,322
Depreciation of property, plant and equipment	**3,092,117**	2,590,450
Depreciation of investment properties	**11,987**	11,249
Dividend income on available-for-sale financial assets	**(23,883)**	(20,727)
Gain on a bargain purchase	**–**	(1,619)
Gain on debts restructuring	**(44,250)**	(14,962)
Finance costs	**1,961,946**	1,683,513
Foreseeable losses on construction contracts	**58,348**	55,298
Government grants	**(314,334)**	(268,766)
Impairment loss recognised in respect of property, plant and equipment	**240,126**	24,899
Impairment loss recognised in respect of intangible assets	**139,013**	–
Impairment loss recognised in respect of trade receivables	**743,363**	336,945
Impairment loss recognised in respect of prepayments to suppliers and subcontractors and other receivables	**320,088**	347,536
Impairment loss recognised in respect of loan receivables	**8,513**	4,573
Impairment loss recognised in respect of available-for-sale financial assets	**5,330**	1,728
Interest income	**(139,248)**	(170,088)
Changes in fair value of foreign currency forward contracts	**(4,895)**	(3,946)
Exchange gain on realisation of foreign currency forward contracts	**(14,700)**	(4,002)
Loss on deemed disposal of an associate	**29,480**	–
Net gain on disposal of property, plant and equipment	**(25,810)**	(19,209)
Net gain on disposal of prepaid lease payments	**–**	(1,698)
Net gain on disposal of associates	**(26,024)**	(2,546)
Net gain on disposal of subsidiaries	**–**	(165,094)
Net gain on disposal of available-for-sale financial assets	**(2,362)**	(2,873)
Reversal of allowance for inventories	**(12,205)**	(10,534)
Reversal of impairment loss in respect of other receivables	**(25,000)**	–
Reversal of provision for litigation	**(27,780)**	–
Safety fund set aside	**137,510**	125,077
Cash-settled share based payments	**(871)**	(459)
Share of results of associates	**(66,353)**	(7,365)
Share of results of joint ventures	**27,269**	10,674
Utilisation/amortisation of government grants	**(212,814)**	(205,485)
Waiver of other payables	**(9,818)**	(9,176)
Operating cash flows before movements in working capital	**8,357,035**	6,612,235

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Operating cash flows before movements in working capital			
Increase in inventories		**(355,490)**	(153,883)
Increase in trade and other receivables		**(8,387,677)**	(4,514,021)
Increase in contracts work-in-progress		**(44,266)**	(115,546)
Decrease (increase) in other current and non-current assets		**47,000**	(52,354)
Increase in trade and other payables		**1,883,767**	806,363
Increase in provisions		**15,788**	7,240
Decrease in early retirement and supplemental benefit obligations		**(30,793)**	(16,575)
Decrease in safety fund		**(83,577)**	(58,973)
Cash generated from operations		**1,401,787**	2,514,486
Income tax paid		**(904,858)**	(922,128)
NET CASH FROM OPERATING ACTIVITIES		**496,929**	1,592,358
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,935,522)**	(4,913,626)
Purchase of prepaid lease payments		**(457,083)**	(344,819)
Purchase of mining rights		**(50,700)**	(33,860)
Purchase of investment properties		**(14,676)**	–
Increase in investments in associates		**–**	(150,000)
Purchase of available-for-sale financial assets		**(42,182)**	–
Receipt from net gain arising from foreign currency forwards contracts		**2,477**	6,149
(Advance to) repayment of loan receivables		**(19,245)**	2,801
Purchase of intangible assets		**(50,184)**	(123,855)
Decrease (increase) in restricted bank balances		**594,126**	(55,046)
Payments for common control business combination		**(515,569)**	(198,048)
Interest received on bank deposits and loan receivables		**141,280**	171,669
Proceeds from disposals of property, plant and equipment		**674,073**	57,441
Proceeds from disposals of prepaid lease payments		**–**	75,215
Proceeds from disposals of an associate		**260,020**	31,159
Proceeds from disposals of available-for-sale financial assets		**3,121**	4,981
Dividends received on available-for-sale financial assets		**23,883**	20,727
Dividends received from associates		**144,375**	1,656
Dividends received from joint ventures		**989**	1,800
Net cash inflow on disposal of subsidiaries		**–**	130,233
Net cash outflow on acquisition of subsidiaries	*48*	**(650,727)**	(428,347)
NET CASH USED IN INVESTING ACTIVITIES		**(2,891,544)**	(5,743,770)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 *RMB'000*	2012 *RMB'000* (Restated)
FINANCING ACTIVITIES		
Proceeds from new borrowings	**19,472,821**	22,850,328
Government grants received	**602,578**	716,672
Contributions received from non-controlling interests	**–**	2,404,024
Repayments of borrowings	**(20,464,120)**	(20,980,769)
Interest paid	**(2,071,030)**	(1,825,234)
Dividends paid to non-controlling interests	**(325,818)**	(683,664)
Dividends paid	**(171,109)**	(260,340)
Gross proceeds from issuance of medium-term notes	**500,000**	900,000
Government contributions	**21,880**	40,712
Received for disposal of equity interests in subsidiaries	**409,280**	342,798
Proceeds from short-term financing bills	**2,900,000**	–
Repayments of short-term financing bills	**(400,000)**	(400,000)
Disbursement of incremental costs directly attributable to issuance of medium-term notes	**–**	(600)
NET CASH FROM FINANCING ACTIVITIES	**474,482**	3,103,927
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,920,133)**	(1,047,485)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**9,235,267**	10,296,226
Effect of foreign exchange rate changes	**(45,079)**	(13,474)
	7,270,055	9,235,267
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by:		
Bank balances and cash	**7,270,055**	9,235,267

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. 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 2013 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 56(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 RMB8,587,841,000 as at 31 December 2013.

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 2013 by taking into consideration the followings:

– At 31 December 2013, the Group has undrawn borrowings facilities available for immediate use and which will not be expiring in the next twelve months from 31 December 2013 of approximately RMB10,074,285,000. Details of which are set out in Note 38(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 2013. 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 49, 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 statement of profit or loss 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 49.

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 which include HKFRSs, Hong Kong Accounting Standard ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
HK (IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Annual Improvements to HKFRSs 2009-2011 addressed a number of amendments to various HKFRSs.

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.

In the current year, the Group has applied HKFRS 11 and HKAS 19 (revised 2011) for the first time, as detailed below, which have resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2012 without the related notes. Other than the above effect, the amendments in other HKFRSs under this annual improvement do not result in any impact on these consolidated financial statements.

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported and / or on the disclosure set out in the Group's consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

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)*

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint agreements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investment in PPG Sinoma Jinjing Fiber Glass Co., Ltd., Zibo PPG Sinoma Jinjing Fiber Glass Co., Ltd., Taishan Fiberglass South Africa Co., Ltd. and Dongguan Taiguang Fiberglass Ltd. (the "Jointly Controlled Entities of the Group"), which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method.

The change in accounting of the Group's investment in the Jointly Controlled Entities of the Group have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables in pages 82 to 90 for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in the Jointly Controlled Entities of the Group.

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)*

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 7, 27, 28 and 57 for details).

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for 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 for share-based payment transactions within the scope of HKFRS 2 *Share-based Payment*, leasing transactions within the scope of HKAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

HKFRS 13 has been applied prospectively as of the beginning of the annual period and resulted in additional disclosure as set out in notes 5, 23, 29 and 30 to the consolidated financial statements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes 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. All actuarial gains and losses are 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 under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

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

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has had a material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 39. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables in pages 82 to 90 for details).

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)

The amendments to HKAS 36 remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in Note 25.

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	Year ended 31/12/2012				**Year ended 31/12/2013**
	(Originally stated)	HKFRS 11	HKAS 19 (revised 2011)	(Restated)	**HKAS 19 (revised 2011)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Impact on profit or (loss):					
Turnover	46,272,564	(165,793)	–	46,106,771	**–**
Cost of sales	(37,921,532)	133,473	–	(37,788,059)	**–**
Gross profit	8,351,032	(32,320)	–	8,318,712	**–**
Interest income	169,447	(94)	–	169,353	**–**
Other gains	1,367,117	–	–	1,367,117	**–**
Selling and marketing expenses	(1,563,025)	13,206	–	(1,549,819)	**–**
Administrative expenses	(4,532,455)	20,166	5,274	(4,507,015)	**16,195**
Exchange gain	1,687	–	–	1,687	**–**
Other expenses	(31,434)	1,539	–	(29,895)	**–**
Finance costs	(1,692,448)	8,986	–	(1,683,462)	**–**
Share of results of associates	7,365	–	–	7,365	**–**
Share of results of joint ventures	–	(10,674)	–	(10,674)	**–**
Profit before tax	2,077,286	809	5,274	2,083,369	**16,195**
Income tax expense	(510,965)	(809)	(1,791)	(513,565)	**(4,425)**
Profit for the year	1,566,321	–	3,483	1,569,804	**11,770**
Profit for the year attributable to:					
Owners of the Company	473,849	–	2,027	475,876	**11,241**
Non-controlling interests	1,092,472	–	1,456	1,093,928	**529**
	1,566,321	–	3,483	1,569,804	**11,770**

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	Year ended 31/12/2012				**Year ended 31/12/2013**
	(Originally stated)	HKFRS 11	HKAS 19 (revised 2011)	(Restated)	**HKAS 19 (revised 2011)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Impact on total comprehensive income					
Profit for the year	1,566,321	–	3,483	1,569,804	**11,770**
Other comprehensive (expenses) income					
Items that will not be reclassified to profit or loss:					
Actuarial loss on defined benefit obligations	–	–	(6,103)	(6,103)	**(16,195)**
Income tax relating to actuarial loss on defined benefit obligations	–	–	1,831	1,831	**4,425**
	–	–	(4,272)	(4,272)	**(11,770)**
Items that may be subsequently reclassified to profit or loss:					
Safety fund set aside	125,077	–	–	125,077	**–**
Utilisation of safety fund	(58,973)	–	–	(58,973)	**–**
Exchange differences arising on translation	(13,474)	–	–	(13,474)	**–**
Loss on fair value changes of available-for-sale financial assets	(59,790)	–	–	(59,790)	**–**
Income tax relating to items that may be reclassified to profit or loss	16,245	–	–	16,245	**–**
	9,085	–	–	9,085	**–**
Other comprehensive (expenses) income for the period (net of tax)	9,085	–	(4,272)	4,813	**–**
Total comprehensive income	1,575,406	–	(789)	1,574,617	**–**
Total comprehensive income (expenses) attributable to:					
Owners of the Company	445,242	–	(1,938)	443,304	**–**
Non-controlling interests	1,130,164	–	1,149	1,131,313	**–**
	1,575,406	–	(789)	1,574,617	**–**

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 1 January 2012 is as follows:

	As at 1 January 2012			
	(Originally stated)	HKFRS 11	HKAS 19 (revised 2011)	(Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	34,223,827	(183,091)	–	34,040,736
Prepaid lease payments	3,144,591	–	–	3,144,591
Investment properties	184,564	–	–	184,564
Intangible assets	531,809	(30,158)	–	501,651
Mining rights	477,166	–	–	477,166
Interests in associates	1,266,810	–	–	1,266,810
Interests in joint ventures	–	174,970	–	174,970
Available-for-sale financial assets	2,346,251	–	–	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	594,406	(1,377)	(1,006)	592,023
	43,184,459	(39,656)	(1,006)	43,143,797
Current assets				
Inventories	8,157,322	(41,280)	–	8,116,042
Trade and other receivables	15,688,583	(84,741)	–	15,603,842
Amounts due from customers for contract work	341,073	–	–	341,073
Prepaid lease payments	100,391	–	–	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	10,200,238	(29,107)	–	10,171,131
	36,444,995	(155,128)	–	36,289,867
Assets classified as held for sale	117,426	–	–	117,426
	36,562,421	(155,128)	–	36,407,293

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 1 January 2012 is as follows:

	As at 1 January 2012			
	(Originally stated) *RMB'000*	HKFRS 11 *RMB'000*	HKAS 19 (revised 2011) *RMB'000*	(Restated) *RMB'000*
Current liabilities				
Trade and other payables	22,746,524	(48,412)	–	22,698,112
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	606,013	(1,776)	–	604,237
Short-term financing bills	800,000	–	–	800,000
Borrowings	13,610,404	(144,158)	–	13,466,246
Early retirement and supplemental benefit obligations	44,525	–	–	44,525
Provisions	41,398	–	–	41,398
	37,982,795	(194,346)	–	37,788,449
Liabilities classified as held for sale	12,038	–	–	12,038
	37,994,833	(194,346)	–	37,800,487
Net current (liabilities) assets	(1,432,412)	39,218	–	(1,393,194)
Total assets less current liabilities	41,752,047	(438)	(1,006)	41,750,603
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	–	(3,681)	297,813
Deferred income tax liabilities	689,741	(438)	–	689,303
	17,968,988	(438)	(3,681)	17,964,869
NET ASSETS	23,783,059	–	2,675	23,785,734
Capital and reserves				
Share capital	3,571,464	–	–	3,571,464
Reserves	7,406,541	–	2,555	7,409,096
Equity attributable to owners of the Company	10,978,005	–	2,555	10,980,560
Non-controlling interests	12,805,054	–	120	12,805,174
TOTAL EQUITY	23,783,059	–	2,675	23,785,734

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 31 December 2012 is as follows:

	As at 31 December 2012			
	(Originally stated) *RMB'000*	HKFRS 11 *RMB'000*	HKAS 19 (revised 2011) *RMB'000*	(Restated) *RMB'000*
Non-current assets				
Property, plant and equipment	41,293,265	(170,665)	–	41,122,600
Prepaid lease payments	3,422,727	–	–	3,422,727
Investment properties	173,315	–	–	173,315
Intangible assets	766,989	(28,618)	–	738,371
Mining rights	483,087	–	–	483,087
Interests in associates	1,393,906	–	–	1,393,906
Interests in joint ventures	–	162,496	–	162,496
Available-for-sale financial assets	2,282,625	–	–	2,282,625
Deposits paid for acquisition of subsidiaries	–	–	–	–
Trade and other receivables	84,132	–	–	84,132
Other non-current assets	252,728	–	–	252,728
Deferred income tax assets	703,693	(2,835)	(601)	700,257
	50,856,467	(39,622)	(601)	50,816,244
Current assets				
Inventories	8,431,498	(53,363)	–	8,378,135
Trade and other receivables	16,643,966	(42,388)	–	16,601,578
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	(745)	–	69,542
Restricted bank balances	1,969,306	–	–	1,969,306
Bank balances and cash	9,186,640	(11,590)	–	9,175,050
	36,987,950	(108,086)	–	36,879,864
Assets classified as held for sale	–	–	–	–
	36,987,950	(108,086)	–	36,879,864

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 31 December 2012 is as follows:

	As at 31 December 2012			
	(Originally stated) *RMB'000*	HKFRS 11 *RMB'000*	HKAS 19 (revised 2011) *RMB'000*	(Restated) *RMB'000*
Current liabilities				
Trade and other payables	24,942,656	(28,214)	–	24,914,442
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	432,634	(18)	–	432,616
Short-term financing bills	400,000	–	–	400,000
Borrowings	15,868,543	(119,096)	–	15,749,447
Early retirement and supplemental benefit obligations	49,114	–	–	49,114
Provisions	48,724	–	–	48,724
	42,042,912	(147,328)	–	41,895,584
Liabilities classified as held for sale	–	–	–	–
	42,042,912	(147,328)	–	41,895,584
Net current (liabilities) assets	(5,054,962)	39,242	–	(5,015,720)
Total assets less current liabilities	45,801,505	(380)	(601)	45,800,524
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	688,903	–	–	688,903
Early retirement and supplemental benefit obligations	285,239	–	(2,487)	282,752
Deferred income tax liabilities	678,476	(380)	–	678,096
	18,726,499	(380)	(2,487)	18,723,632
NET ASSETS	27,075,006	–	1,886	27,076,892
Capital and reserves				
Share capital	3,571,464	–	–	3,571,464
Reserves	7,688,309	–	617	7,688,926
Equity attributable to owners of the Company	11,259,773	–	617	11,260,390
Non-controlling interests	15,815,233	–	1,269	15,816,502
TOTAL EQUITY	27,075,006	–	1,886	27,076,892

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 31 December 2013 is as follows:

	As at 31 December 2013			
	(Originally stated)	HKFRS 11	HKAS 19 (revised 2011)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	45,587,782	(377,596)	–	45,210,186
Prepaid lease payments	3,853,959	–	–	3,853,959
Investment properties	177,140	(1,136)	–	176,004
Intangible assets	731,992	(10,148)	–	721,844
Mining rights	512,945	–	–	512,945
Interests in associates	866,380	(2,662)	–	863,718
Interests in joint ventures	47,201	87,037	–	134,238
Available-for-sale financial assets	2,022,555	–	–	2,022,555
Deposits paid for acquisition of subsidiaries	–	–	–	–
Trade and other receivables	87,611	–	–	87,611
Other non-current assets	220,328	–	–	220,328
Deferred income tax assets	834,240	(1,907)	(136)	832,197
	54,942,133	(306,412)	(136)	54,635,585
Current assets				
Inventories	8,779,767	(6,487)	–	8,773,280
Trade and other receivables	21,665,401	(71,357)	–	21,594,044
Amounts due from customers for contract work	599,010	–	–	599,010
Prepaid lease payments	131,052	–	–	131,052
Derivative financial instruments	21,169	–	–	21,169
Other current assets	107,875	–	–	107,875
Restricted bank balances	1,379,963	–	–	1,379,963
Bank balances and cash	7,307,545	(37,490)	–	7,270,055
	39,991,782	(115,334)	–	39,876,448
Assets classified as held for sale	–	–	–	
	39,991,782	(115,334)	–	39,876,448

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the assets, liabilities and equity of the Group as at 31 December 2013 is as follows:

	As at 31 December 2013			
	(Originally stated) *RMB'000*	HKFRS 11 *RMB'000*	HKAS 19 (revised 2011) *RMB'000*	Total *RMB'000*
Current liabilities				
Trade and other payables	28,713,907	(260,769)	–	28,453,138
Dividend payable	8,117	–	–	8,117
Amounts due to customers for contract work	343,066	–	–	343,066
Derivative financial instruments	–	–	–	–
Income tax liabilities	477,721	(51,531)	–	426,190
Short-term financing bills	2,900,000	–	–	2,900,000
Borrowings	16,257,821	–	–	16,257,821
Early retirement and supplemental benefit obligations	50,897	–	–	50,897
Provisions	25,060	–	–	25,060
	48,776,589	(312,300)	–	48,464,289
Liabilities classified as held for sale	–	–	–	–
	48,776,589	(312,300)	–	48,464,289
Net current (liabilities) assets	(8,784,807)	196,966	–	(8,587,841)
Total assets less current liabilities	46,157,326	(109,446)	(136)	46,047,744
Non-current liabilities				
Trade and other payables	94,224	(90,190)	–	4,034
Derivative financial instruments	–	–	–	–
Corporate bonds	2,492,782	–	–	2,492,782
Medium-term notes	5,755,339	–	–	5,755,339
Borrowings	7,931,426	–	–	7,931,426
Provisions	56,460	–	–	56,460
Deferred income	764,333	–	–	764,333
Early retirement and supplemental benefit obligations	267,948	(1,034)	(543)	266,371
Deferred income tax liabilities	627,064	(18,222)	–	608,842
	17,989,576	(109,446)	(543)	17,879,587
NET ASSETS	28,167,750	–	407	28,168,157
Capital and reserves				
Share capital	3,571,464	–	–	3,571,464
Reserves	7,833,365	–	407	7,833,772
Equity attributable to owners of the Company	11,404,829	–	407	11,405,236
Non-controlling interests	16,762,921	–	–	16,762,921
TOTAL EQUITY	28,167,750	–	407	28,168,157

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effects of changes in accounting policies described above on the cash flows of the Group for the year ended 31 December 2012 is as follows:

	HKFRS 11 *RMB'000*	HKAS 19 (revised 2011) *RMB'000*	Total *RMB'000*
Net cash outflow from operating activities	(20,019)	–	(20,019)
Net cash outflow from investing activities	(22,560)	–	(22,560)
Net cash inflow from financing activities	25,062	–	25,062
Net cash outflow	(17,517)		(17,517)

The effects of changes in accounting policies described above on the earnings per share of the Group are as follows:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	Year ended 31/12/2013 ***RMB***	Year ended 31/12/2012 *RMB*	**Year ended 31/12/2013** ***RMB***	Year ended 31/12/2012 *RMB*
Increase (decrease) in earnings per share arising from changes in the Group's accounting policies in relation to application of:				
– HKFRS 11	**–**	–	**–**	–
– HKAS 19 (revised 2011)	**0.003**	0.001	**0.003**	0.001
	0.003	0.001	**0.003**	0.001

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

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

Annual Improvements to HKFRSs 2010-2012 Cycle *(Continued)*

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle 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)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the consolidated financial statements.

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* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent 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.

- 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 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

HKFRS 9 Financial Instruments *(Continued)*

The effective date of HKFRS 9 is not yet determined. However, earlier application is 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. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in Note 5.2.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contribution made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the numbers of years of service, the entity is required to attribute them to the employees' periods of service.

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 Group's defined benefit plans. However, it is not practicable to provide a reasonable estimate to that effect until a detailed review has been completed.

Amendments to HKAS 32 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 HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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 and service.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company;

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 or business are consolidated using the existing book values from the controlling party's 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations involving entities under common control *(Continued)*

The consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income 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 or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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; and

- 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).

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, on the basis specified in another HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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, an investment in an associate or a joint venture is initially recognised 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is 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.

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. This 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 their previous carrying amount and fair value less costs of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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.

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 that are acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 or 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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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. Fair value is determined in the manner described in note 5.3.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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.

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 AFS 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 when 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 AFS 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

When an AFS 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 AFS 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 under the heading of 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities 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 a portfolio 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. Fair value is determined in the manner described in note 5.3.

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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 derecognises 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. 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 terms of relevant sales contracts recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised 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 denominated 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 on 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 installments 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.

(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 has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

After 31 December 2006, the Company will not allow early retirement, nor provide such termination benefits to employees who are terminated after then.

(b) Housing funds

All full-time employees of the Group in the PRC are entitled to participate in various 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)*

(c) 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 in profit or loss.

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Financial assets		
Derivative financial instruments	**21,169**	4,708
Loans and receivables (including cash and cash equivalents)	**23,406,928**	23,009,134
Available-for-sale financial assets	**2,022,555**	2,288,320
	25,450,652	25,302,162
Financial liabilities		
Derivative financial instruments	**–**	657
Amortised cost	**52,849,217**	48,837,555
	52,849,217	48,838,212

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.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk

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

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2013 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Nigerian Naira ("NGN"), Vietnamese Dong ("VND"), Egyptian Pound ("EGP"), CFA Franc BCEAO ("XOF"), Malaysian Ringgit ("MYR"), Emirati Dirham ("AED"), Iraqi Dinar ("IQD"), 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 32, 34, 35, 36 and 38.

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

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

	Assets		Liabilities	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**1,614,497**	1,285,948	**(1,950,257)**	(1,582,986)
EUR	**344,017**	782,085	**(531,516)**	(289,516)
ZAR	**16,353**	47,481	**–**	–
SAR	**254,076**	198,553	**–**	–
XOF	**37,872**	30,922	**–**	–
MYR	**13,855**	13,348	**–**	–
AED	**25,679**	–	**–**	–
IQD	**122,920**	133,320	**–**	–
ALL	**76,618**	64,390	**–**	–
AZN	**62,836**	74,592	**–**	–
Others	**186,883**	131,453	**(5,033)**	(2,849)
	2,755,606	2,762,092	**(2,486,806)**	(1,875,351)

The Group's exposure to foreign exchange risk mainly relates to US$, EUR, ZAR, SAR, XOF, MYR, AED, IQD, ALL and AZN. 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 2013, if RMB had strengthened by 1% (2012: 1%) 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 RMB2,854,000 higher (2012: RMB2,525,000 higher), mainly as a result of foreign exchange gains (2012: gains) on translation of US$-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings. The adverse movement in US$ 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 2013, if RMB had strengthened by 2% (2012: 2%) 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 RMB3,187,000 higher (2012: RMB8,374,000 lower), mainly as a result of foreign exchange gains (2012: losses) on translation of EUR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash and trade and other payables (except for prepayments from customers). The adverse movement in EUR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 5% (2012: 5%) 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 RMB695,000 lower (2012: RMB2,018,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of ZAR-denominated bank balances and cash. The adverse movement in ZAR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) 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 RMB2,160,000 lower (2012: RMB1,688,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of SAR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. The adverse movement in SAR would be an equal and opposite impact on post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) against XOF 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 RMB322,000 lower (2012: RMB263,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of XOF-denominated bank balances and cash. The adverse movement in XOF would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) against MYR 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 RMB118,000 lower (2012: RMB113,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of MYR-denominated bank balances and cash. The adverse movement in MYR 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 2013, if RMB had strengthened by 1% (2012: Nil) against AED 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 RMB218,000 lower (2012:Nil), mainly as a result of foreign exchange losses (2012: losses) on translation of AED-denominated bank balances and cash. The adverse movement in AED would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) 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 RMB1,045,000 lower (2012: RMB1,133,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of IQD-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and bank balances and cash. The adverse movement in IQD would be equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) 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 RMB651,000 lower (2012:547,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of ALL-denominated trade and other receivable (except for prepayments to suppliers and subcontractors) and bank balances and cash. The adverse movement in ALL would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2013, if RMB had strengthened by 1% (2012: 1%) 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 RMB534,000 lower (2012:634,000 lower), mainly as a result of foreign exchange losses (2012: losses) on translation of AZN-denominated trade and other receivable (except for prepayments to suppliers and subcontractors) and bank balances and cash. The adverse movement in AZN 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 2013, approximately RMB6,561,122,000 (2012: approximately RMB6,745,630,000) and RMB14,588,535,000 (2012: approximately RMB15,269,584, 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 2013, approximately RMB25,400,000 (2012: RMB21,500,000), RMB1,379,963,000 (2012: RMB1,974,089,000), RMB705,338,000 (2012: restated RMB2,432,631,000), RMB2,900,000,000 (2012: RMB400,000,000), RMB9,600,712,000 (2012: RMB9,760,462,000), RMB2,492,782,000 (2012: RMB2,490,239,000) and RMB5,755,339,000 (2012: RMB5,253,610,000) 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 32, 34, 35, 37, 38, 42 and 43.

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

As at 31 December 2013, if the interest rate on variable-rate borrowings, and bank balances had been 100 basis points (2012: 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 RMB53,232,000 lower (2012: restated RMB63,574,000 lower), mainly as a result of higher interest expenses on bank borrowings and higher interest income on bank balances.

(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% (2012: 10%) higher/lower, the investment revaluation reserve would increase/decrease by approximately RMB139,145,000 (2012: restated approximately RMB161,701,000) 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% (2012: 2%) and 5% (2012: 6%) of the Group's total trade receivables as at 31 December 2013.

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. 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 51.

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 2013 and 2012.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(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.

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 37, 38, 42 and 43 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 2013 as the Group had net current liabilities of approximately RMB8,587,841,000. 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.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual 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.

	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 2013						
Non-derivative financial liabilities						
Trade and other payables	17,499,698	–	4,034	–	17,503,732	17,503,732
Dividend payable	8,117	–	–	–	8,117	8,117
Short-term financing bills	3,112,860	–	–	–	3,112,860	2,900,000
Borrowings	17,789,924	4,341,115	5,419,089	717,186	28,267,314	24,189,247
Corporate bonds	135,000	135,000	2,578,041	–	2,848,041	2,492,782
Medium-term notes	333,636	1,971,875	4,855,501	–	7,161,012	5,755,339
	38,879,235	6,447,990	12,856,665	717,186	58,901,076	52,849,217
Derivative financial instruments						
– gross settlement						
Foreign currency forward contracts						
– inflow	(2,210,089)	–	–	–	(2,210,089)	(2,210,089)
– outflow	2,188,920	–	–	–	2,188,920	2,188,920
	(21,169)	–	–	–	(21,169)	(21,169)

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 (restated)						
Non-derivative financial liabilities						
Trade and other payables	15,651,079	–	4,645	–	15,655,724	15,655,724
Dividend payable	7,936	–	–	–	7,936	7,936
Short-term financing bills	417,160	–	–	–	417,160	400,000
Borrowings	17,453,901	5,144,245	6,098,524	821,146	29,517,816	25,030,046
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	–
	34,003,512	5,587,681	14,530,307	821,146	54,942,646	48,837,555
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)

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 51). 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 suffer 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 measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at			
Financial assets/financial liabilities	**31 December 2013** ***RMB'000***	31 December 2012 *RMB'000*	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial assets at FVTPL				
Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	**Assets: 21,169** **Liabilities: Nil**	Assets: 4,708 Liabilities: 657	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
Financial liabilities at fair value				
Liabilities for cash-settled share-based payments	**113**	984	Level 2	Black-Scholes pricing model The key inputs are expected volatility (50%), risk-free rate (3.30% to 4.46%) and dividend yield (1%)
Listed available-for-sale financial assets	**1,829,356**	2,131,214	Level 1	Quoted bid prices in an active market

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value measurements of financial instruments *(Continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

	Carrying amounts at 31 December 2013 ***RMB'000***	**Fair value at 31 December 2013** ***RMB'000***	Carrying amounts at 31 December 2012 *RMB'000*	Fair value at 31 December 2012 *RMB'000*
Investment property	**176,004**	**732,907**	173,315	639,933

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

(iii) Fair value hierarchy

	Level 1 ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2013				
Financial assets at FVTPL				
Derivative financial assets	**–**	**21,169**	**–**	**21,169**
Available-for-sales financial assets				
Listed equity securities	**1,829,356**	**–**	**–**	**1,829,356**
	1,829,356	**21,169**	**–**	**1,850,525**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**–**	**–**	**–**

	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				
Listed 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)

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

There were no transfers between Level 1 and 2 during the year ended 31 December 2013 and 2012.

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. Based on the opinion of the Company's directors, the Group will focus on reducing short term debts and control the capital investment in lower level in order to maintain the net debt ratio at a reasonable level in coming future.

The net debt ratios of the Group are as follows:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Short-term financing bills *(Note 37)*	**2,900,000**	400,000
Total borrowings *(Note 38)*	**24,189,247**	25,030,046
Corporate bonds *(Note 42)*	**2,492,782**	2,490,239
Medium-term notes *(Note 43)*	**5,755,339**	5,253,610
Less: Restricted bank balances *(Note 34)*	**(1,379,963)**	(1,974,089)
Bank balances and cash *(Note 35)*	**(7,270,055)**	(9,235,267)
Net debt	**26,687,350**	21,964,539
Total equity	**28,168,157**	27,297,216
Net debt ratio	**94.74%**	80.46%

The increase in the net debt ratio during the year ended 31 December 2013 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. Please refer to Note 56 (a) (i) for details.

(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 one or more of the following ways: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distribution; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(d) Significant influence over joint ventures

The Group's management exercises its critical judgment when determining whether the joint arrangement Group is under joint venture or joint operation. The Group determines the classification of joint arrangements based on the rights and obligations to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint arrangements of the Group are joint ventures.

(e) 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.

(f) Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Notes 21, formal titles of certain of the Group's rights to the use of the buildings 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 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.

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

Key sources of estimation uncertainty *(Continued)*

(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 2013, the carrying amount of property, plant and equipment is approximately RMB45,210,186,000 (net of accumulated impairment approximately RMB391,413,000) (31 December 2012: Carrying amount of approximately RMB41,286,046,000, net of accumulated impairment of approximately RMB218,533,000).

(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 2013, the carrying amount of available-for-sale financial assets is approximately RMB2,022,555,000 (net of impairment loss of approximately RMB109,206,000) (31 December 2012: carrying amount of approximately RMB2,288,320,000, net of impairment loss of approximately RMB106,260,000).

(d) Allowance for inventories

During the year, the Group reversed the allowance of inventories of approximately RMB12,205,000 (2012: RMB10,534,000). 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 2013, the carrying amount of inventories is approximately RMB8,773,280,000 (net of accumulated allowance of inventories approximately of RMB306,642,000) (31 December 2012: carrying amount of approximately RMB8,393,346,000, net of allowance of inventories of approximately RMB170,850,000).

(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 2013, the carrying amount of trade and other receivables is approximately RMB21,681,655,000 (net of impairment loss of approximately RMB2,571,171,000) (31 December 2012: carrying amount of approximately RMB16,731,910,000, net of impairment loss of approximately RMB1,553,384,000).

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

Key sources of estimation uncertainty *(Continued)*

(f) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating unit's ("CGU") fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 25. As at 31 December 2013, the carrying value of goodwill is approximately RMB533,684,000 (net of accumulated impairment loss of approximately RMB252,716,000 (31 December 2012: carrying amount of approximately RMB561,612,000, net of accumulated impairment loss of approximately RMB123,420,000).

Further details of the Group's goodwill and the results of the review undertaken by management as at 31 December 2013 are set out in Notes 24 and 25 respectively.

(g) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires judgment of the management. Anticipated losses are fully provided on contracts when identified. Management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction and engineering businesses, the contract activity will usually last for a period over one year and therefore fall into different accounting periods. During the year ended 31 December 2013, foreseeable losses on construction contracts of approximately RMB58,348,000 (2012: RMB55,298,000) 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 statement of profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

Key sources of estimation uncertainty *(Continued)*

(h) Provision for guarantees

The Group follows the guidance of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets in determining the provision for guarantees. Provisions have been made based on management's best estimates and judgments at the date of grant and at the end of the reporting period if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably. The Group's management considers the fair value of the guarantees at the date of grant is insignificant and the default risk is low as at 31 December 2012.

(i) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments. As at 31 December 2012, the carrying amount of provision for litigation is approximately RMB27,780,000. As at 31 December 2013, full reversal of provision of approximately RMB27,780,000 have been made and no provision for litigation was noted. Details are set out in Note 41(i).

(j) 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 2013, the carrying amount of provision for warranties is approximately RMB81,520,000 (2012: RMB65,732,000).

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.

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Turnover comprises:		
– Cement equipment and engineering services	**20,950,937**	19,798,261
– Cement	**24,414,246**	20,452,545
– High-tech materials	**6,716,133**	5,936,265
	52,081,316	46,187,071

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, clinker and commercial concrete
High-tech materials	Production and sales of glass fiber, glass fiber products, specialty fiber, fiber reinforcement composite materials and standard sand; equipment and engineering services for glass fiber production and non-metal mineral fine processing and advance ceramics

9. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results

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

For the year ended 31 December 2013

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	**20,950,937**	**24,414,246**	**6,716,133**	**–**	**52,081,316**
Inter-segment sales	**1,717,420**	**37,632**	**86,559**	**(1,841,611)**	**–**
Total	**22,668,357**	**24,451,878**	**6,802,692**	**(1,841,611)**	**52,081,316**
Segment results	**541,095**	**3,079,684**	**589,044**	**(189,223)**	**4,020,600**
Unallocated operating income and expenses					**(28,143)**
Interest income					**139,248**
Finance costs					**(1,961,946)**
Share of results of associates					**66,353**
Share of results of joint ventures					**(27,269)**
Profit before tax					**2,208,843**

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2012 (Restated)

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	19,798,261	20,452,545	5,936,265	–	46,187,071
Inter-segment sales	3,186,868	92,470	59,169	(3,338,507)	–
Total	22,985,129	20,545,015	5,995,434	(3,338,507)	46,187,071
Segment results	1,302,340	1,904,043	729,017	(326,240)	3,609,160
Unallocated operating income and expenses					(33,630)
Interest income					170,088
Finance costs					(1,683,513)
Share of results of associates					7,365
Share of results of joint ventures					(10,674)
Profit before tax					2,058,796

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, share of results of joint ventures 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 2013 ***RMB'000***	31 December 2012 *RMB'000* (Restated)
Cement equipment and engineering services	**19,440,424**	16,660,793
Cement	**47,455,025**	43,039,354
High-tech materials	**16,703,183**	14,930,419
Total segment assets	**83,598,632**	74,630,566
Eliminations	**(2,059,380)**	(2,848,048)
Unallocated assets	**12,972,781**	16,222,188
Consolidated assets	**94,512,033**	88,004,706

Segment liabilities

	31 December 2013 ***RMB'000***	31 December 2012 *RMB'000* (Restated)
Cement equipment and engineering services	**17,777,606**	16,523,748
Cement	**11,290,430**	9,188,914
High-tech materials	**4,040,682**	3,879,649
Total segment liabilities	**33,108,718**	29,592,311
Eliminations	**(3,277,776)**	(3,340,227)
Unallocated liabilities	**36,512,934**	34,455,406
Consolidated liabilities	**66,343,876**	60,707,490

9. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

Segment liabilities *(Continued)*

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, interests in joint ventures, investment properties, available-for-sale financial assets, derivative financial instruments, 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, dividend payable and certain unallocated head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 December 2013

	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	248,328	2,191,288	651,862	12,626	3,104,104
Amortisation	38,676	100,020	36,732	24	175,452
Impairment loss recognised in respect of:					
– property, plant and equipment	–	238,368	1,758	–	240,126
– intangible assets	–	129,296	9,717	–	139,013
– trade receivables	552,103	103,579	87,681	–	743,363
– prepayments to suppliers and subcontractors and other receivables	170,680	115,468	33,940	–	320,088
– loan receivables	1,062	4,693	2,758	–	8,513
Allowance for inventories	27,635	69,158	51,204	–	147,997
Reversal of allowance for inventories	–	–	(12,205)	–	(12,205)
Reversal of provision for litigation	(27,780)	–	–	–	(27,780)
Reversal of impairment of other receivables	–	–	(25,000)	–	(25,000)
Net (gain) loss on disposals of property, plant and equipment	(31,321)	5,197	314	–	(25,810)
Waiver of other payables	(4,305)	(4,516)	(997)	–	(9,818)
Government grants	(33,160)	(247,810)	(246,178)	–	(527,148)
Foreseeable losses on construction contracts	58,348	–	–	–	58,348
Additions to non-current assets *(Note)*	839,501	6,607,025	1,273,685	6,450	8,726,661
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(89,709)	(32,449)	(15,769)	(1,321)	(139,248)
Finance costs	104,735	1,211,895	442,019	203,297	1,961,946
Share of results of associates	(401)	(61,205)	(425)	(4,322)	(66,353)
Share of results of joint ventures	–	–	27,269	–	27,269
Income tax expense (credit)	288,156	400,468	58,409	(3,601)	743,432
Interests in associates	154,322	799	26,704	681,893	863,718
Interests in joint ventures	–	–	134,238	–	134,238

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 December 2012 (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	221,210	1,794,796	573,915	11,778	2,601,699
Amortisation	49,583	101,623	37,274	–	188,480
Impairment loss recognised in respect of:					
– property, plant and equipment	–	24,396	503	–	24,899
– trade receivables	262,831	38,670	35,444	–	336,945
– prepayments to suppliers and subcontractors and other receivables	221,181	47,284	79,015	56	347,536
– loan receivables	–	1,698	2,875	–	4,573
Allowance for inventories	46,868	19,080	15,618	–	81,566
Reversal of allowance for inventories	–	–	(10,534)	–	(10,534)
Net gain on disposals of property, plant and equipment	(2,653)	(6,424)	(10,132)	–	(19,209)
Net gain on disposals of prepaid lease payments	(436)	(76)	(1,186)	–	(1,698)
Gain on a bargain purchase	–	–	(1,619)	–	(1,619)
Net 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)	(206,211)	(258,881)	–	(474,251)
Foreseeable losses on construction contracts	55,298	–	–	–	55,298
Additions to non-current assets *(Note)*	427,672	5,508,214	4,603,777	152,506	10,692,169
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(109,182)	(41,090)	(17,776)	(2,040)	(170,088)
Finance costs	76,098	941,170	349,636	316,609	1,683,513
Share of results of associates	(6,051)	(538)	(776)	–	(7,365)
Share of results of joint ventures	–	–	10,674	–	10,674
Income tax expense (credit)	324,225	143,236	47,705	(2,210)	512,956
Interests in associates	85,160	1,132,466	26,280	150,000	1,393,906
Interests in joint ventures	–	–	162,496	–	162,496

Note: Non-current assets exclude financial instruments and deferred income tax assets. Additions to non-current assets for the year ended 31 December 2013 resulting from acquisitions through business combinations other than common control amounting to RMB1,360,283,000 (2012: RMB1,166,363,000).

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 based on location of operations and information about its non-current assets by geographical location are detailed as below:

	Revenue from external customers		Non-current assets	
	2013	2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
The PRC	**38,703,102**	36,258,627	**51,660,118**	47,891,165
Middle East	**2,523,728**	1,856,658	**24,245**	22,187
Africa	**4,459,693**	3,449,538	**7,838**	7,306
Other Asian countries	**3,725,887**	2,563,979	**1,021**	727
Europe	**1,035,380**	767,775	**–**	–
America	**1,343,221**	1,075,955	**–**	–
Others	**290,305**	214,539	**–**	–
	52,081,316	46,187,071	**51,693,222**	47,921,385

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

(e) Information about major customers

During the two years ended 31 December 2013 and 2012, no revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue.

10. INTEREST INCOME

	2013	2012
	RMB'000	*RMB'000* (Restated)
Interest income on bank deposits	**134,452**	167,588
Interest income on loan receivables	**4,796**	2,500
Total interest income	**139,248**	170,088

11. OTHER GAINS

	2013 RMB'000	2012 RMB'000 (Restated)
Gain on debts restructuring *(Note a)*	**44,250**	14,962
Net gain on disposals of property, plant and equipment	**25,810**	19,209
Net gain on disposals of prepaid lease payments	**–**	1,698
Gain on disposals of available-for-sale financial assets	**2,362**	2,873
Net gain on disposal of associates *(Note 27)*	**26,024**	2,546
Net gain on disposal of subsidiaries *(Note 50)*	**–**	165,094
Exchange gain on realisation of foreign currency forward contracts	**14,700**	4,002
Dividend income on available-for-sale financial assets *(Note b)*	**23,883**	20,727
Income from sales of scrap materials	**1,055**	2,454
Gain on a bargain purchase *(Note 48 (b) (iii))*	**–**	1,619
Change in fair values of foreign currency forward contracts	**4,895**	3,946
Penalty income *(Note c)*	**8,627**	25,132
Rental income *(Note d)*	**33,093**	35,780
Reversal of provision for litigation *(Note 41)*	**27,780**	–
Reversal of impairment loss of other receivables *(Note 50(ii))*	**25,000**	–
Waiver of other payables	**9,818**	9,176
Value-added tax refunds *(Note e)*	**606,245**	659,583
Government grants		
– utilisation/amortisation of deferred income for the year *(Note 44)*	**212,814**	205,485
– grants related to expenses recognised as other gains *(Note f)*	**314,334**	268,766
Others	**11,145**	9,506
	1,391,835	1,452,558

11. OTHER GAINS *(Continued)*

Notes:

(a) During the year, certain subsidiaries of the Company had settled certain borrowings and trade and other payables at a discount of approximately RMB44,250,000 (2012: RMB14,962,000).

(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.

(d) Rental income:

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Gross rental income from investment properties	**33,093**	35,780
Less: Direct operating expenses that generate rental income (included in administrative expenses)	**(10,081)**	(10,491)
Net rental income from investment properties	**23,012**	25,289

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

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

12. EXCHANGE (LOSS) GAIN

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Net exchange (loss) gain	**(82,078)**	3,195
Less: Net foreign exchange loss on bank borrowings *(Note 14)*	**(3,185)**	(1,508)
Exchange (loss) gain arising from the operating activities	**(85,263)**	1,687

13. OTHER EXPENSES

	2013 *RMB'000*	2012 *RMB'000* (Restated)
Penalty	**31,883**	13,990
Donations	**10,527**	9,928
Others	**10,907**	7,889
	53,317	31,807

14. FINANCE COSTS

	2013 *RMB'000*	2012 *RMB'000* (Restated)
Interest expenses		
– Bank borrowings wholly repayable within 5 years	**1,443,023**	1,245,483
– Bank borrowings not wholly repayable within 5 years	**27,832**	30,824
– Corporate bonds not wholly repayable within 5 years	**137,543**	137,410
– Medium-term notes wholly repayable within 5 years	**323,733**	267,833
– Short-term financing bills wholly repayable within 5 years	**98,034**	49,010
– Other borrowings	**42,682**	39,975
	2,072,847	1,770,535
Less: Amounts capitalised as construction in progress *(Note)*	**(127,083)**	(100,342)
	1,945,764	1,670,193
Net foreign exchange gain on bank borrowings *(Note 12)*	**(3,185)**	(1,508)
Discount charges on bank acceptance notes	**19,367**	14,828
Total finance costs	**1,961,946**	1,683,513

Note: Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.52% (2012: 6.37%) 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% (2012: 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% (2012: 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 statement of profit or loss represents:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Current income tax:		
– PRC enterprise income tax	**892,116**	668,476
– Overseas taxation	**3,058**	1,379
– Under (over) provision in previous years	**1,076**	(7,086)
	896,250	662,769
Deferred income tax *(Note 45)*		
– Net effect of changes in tax rates on deferred income tax assets and liabilities	**–**	4,463
– Other deferred income tax	**(152,818)**	(154,276)
	(152,818)	(149,813)
	743,432	512,956

15. INCOME TAX EXPENSE *(Continued)*

The difference between the actual income tax expense in the consolidated statement of profit or loss and the amounts which is calculated based on the statutory tax rate of 25% (2012: 25%) is as follows:

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Profit before tax	**2,208,843**	2,058,796
Less: Share of results of associates	**(66,353)**	(7,365)
Less: Share of results of joint ventures	**27,269**	10,674
	2,169,759	2,062,105
Tax calculated at the statutory tax rate of 25% (2012: 25%)	**542,440**	515,526
Tax effect of income not taxable for tax purpose	**(38,245)**	(43,585)
Tax effect of expenses not deductible for tax purpose	**309,187**	120,004
Tax effect of tax losses not recognised	**54,054**	81,634
Utilisation of tax losses previously not recognised	**(4,774)**	(4,175)
Additional deduction arising from research and development expenditure	**(3,780)**	(4,960)
Effect of differences in tax rates applicable to certain domestic subsidiaries	**(114,069)**	(145,400)
Net effect of changes in tax rates on deferred income tax assets and liabilities	**–**	4,463
Additional deduction arising from equipment produced in the PRC	**(2,457)**	(3,465)
Under(over)provision in previous years	**1,076**	(7,086)
Income tax expense	**743,432**	512,956

Details of deferred taxation are shown in Note 45.

16. PROFIT FOR THE YEAR

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories recognised as expenses	**27,765,664**	25,524,507
Auditor's remuneration	**9,500**	9,500
Employee benefit expense (including directors', supervisors', chief executive's and senior management's emoluments) *(Note 17)*	**3,001,392**	2,599,092
Depreciation and amortisation:		
– property, plant and equipment	**3,092,117**	2,590,450
– prepaid lease payments	**86,439**	111,322
– investment properties	**11,987**	11,249
– intangible assets	**39,340**	33,695
– mining rights	**49,673**	43,463
Operating lease rentals	**90,545**	84,237
Share of income tax expenses:		
– associates	**17,307**	14,588
– joint ventures	**199**	498
Research and development costs	**873,912**	724,563
Safety fund set aside	**137,510**	125,077
Provision for warranties *(Note 41)* (included in cost of sales)	**38,331**	28,710
Foreseeable losses on construction contracts (included in cost of sales)	**58,348**	55,298
Loss on deemed disposal of an associate *(Note 27)*	**29,480**	–
Impairment loss recognised in respect of:		
– trade receivables (included in administrative expenses)	**743,363**	336,945
– prepayments to suppliers and subcontractors and other receivables (included in administrative expenses)	**320,088**	347,536
– loan receivables (included in administrative expenses)	**8,513**	4,573
– property, plant and equipment (included in administrative expenses)	**240,126**	24,899
– intangible assets (included in administrative expenses)	**139,013**	–
– available-for-sales financial assets (included in administrative expenses)	**5,330**	1,728
Allowance for inventories (included in cost of sales)	**147,997**	81,566
Reversal of allowance for inventories (included in cost of sales)	**(12,205)**	(10,534)

17. EMPLOYEE BENEFITS

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and bonuses	**2,155,431**	1,874,288
Contributions to pension plans *(Note a)*	**328,998**	277,240
Early retirement and supplemental pension benefits *(Note 39 and Note b)*	**20,104**	32,524
Housing funds *(Note c)*	**88,366**	74,362
Cash-settled share-based payments *(Note 40)*	**(871)**	(459)
Welfare, medical and other expenses	**409,364**	341,137
	3,001,392	2,599,092

Notes:

(a) During the two years ended 31 December 2013 and 2012, 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 statement of profit or loss 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 statement of profit or loss 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 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

	2013	2012
	RMB'000	*RMB'000*
Directors, supervisors and the chief executive		
– Fee for directors, supervisors and the chief executive	**915**	990
– Basic salaries, housing allowances and other allowances	**1,252**	1,162
– Contributions to pension plans	**110**	66
– Discretionary bonuses	**96**	687
– Cash-settled share-based payments	**(36)**	(201)
	2,337	2,704

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 2013 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. Liu Zhijang *(Note a)*	–	–	–	–	(12)	(12)
– Mr. Li Xinhua	–	–	–	–	(12)	(12)
Non-executive directors						
– Mr. Yu Shiliang *(Note b)*	–	–	–	–	(12)	(12)
– Mr. Zhang Hai	–	–	–	–	–	–
– Mr. Tang Baoqi	60	–	–	–	–	60
– Mr. Li Jianlun *(Note c)*	–	–	–	–	–	–
– Mr.Yu Guobo *(Note c)*	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Shi Chungui *(Note d)*	105	–	–	–	–	105
– 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 *(Note e)*	–	621	36	–	–	657
– Mr. Zhang Renjie	15	–	–	–	–	15
– Mr. Qu Xiaoli	–	264	37	48	–	349
– Mr. Wang Yingcai *(Note g)*	–	367	37	48	–	452
	915	1,252	110	96	(36)	2,337

Notes:

a. Re-designated from non-executive director to executive director on 5 February 2013.

b. Re-designated from executive director to non-executive director on 5 February 2013.

c. Appointed as non-executive director on 30 July 2013.

d. Ceased to be an independent non-executive director on 30 July 2013.

e. Resigned from supervisor on 30 July 2013.

f. In addition to the directors' emoluments disclosed above, certain directors and supervisors of the Company received emoluments from Sinoma Group in aggregate of approximately RMB3,209,350 and RMB511,859 respectively for the year ended 31 December 2013.

g. Appointed as supervisor on 30 July 2013.

h. 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 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	–	–	–	–	(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. Resigned 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)*

(iii) During the two years ended 31 December 2013 and 2012, no directors or supervisors or the chief executive of the Company agreed to waive or 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 2013 and 2012 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 2013 include one supervisor (2012: one supervisor) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2012: four) individuals during the year are as follows:

	2013	2012
	RMB'000	*RMB'000*
Basic salaries, housing allowances and other allowances	**2,876**	3,477
Contributions to pension plans	**146**	211
Discretionary bonuses	**660**	2,828
	3,682	6,516

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

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

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

	2013	2012
HK$1 to HK$1,000,000 (2013: equivalent to RMB1 to RMB797,899 and 2012: equivalent to RMB1 to RMB814,730)	**3**	–
HK$1,500,001 to HK$2,000,000 (2013: equivalent to RMB1,196,851 to RMB1,595,800 and 2012: equivalent to RMB1,222,096 to RMB1,629,460)	**–**	1
HK$2,000,001 to HK$2,500,000 (2013: equivalent to RMB1,595,801 to RMB1,994,750 and 2012: equivalent to RMB1,629,461 to RMB2,036,825)	**1**	3
	4	4

(iii) During the two years ended 31 December 2013 and 2012, no individuals of the Company agreed to waive or 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

	2013 **_RMB'000_**	2012 *RMB'000*
Dividends paid and recognised as distribution during the year:		
– 2012 final dividend: RMB0.03 (2012: 2011 final dividend RMB0.06) per share	**107,144**	214,288

The 2013 final dividend of RMB0.02 (2012: RMB0.03) 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 2013 and 2012.

	2013	2012 (Restated)
Profit for the year attributable to owners of the Company (RMB'000)	**397,512**	452,293
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,571,464
Basic earnings per share (RMB)	**0.111**	0.127

(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 2013 and 2012.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012, as restated	11,490,223	15,598,152	946,182	660,508	5,516,184	34,211,249
Additions	1,996,860	3,113,161	374,493	299,423	3,098,155	8,882,092
Attributable to acquisition of subsidiaries	646,177	199,258	19,551	2,814	–	867,800
Disposals	(3,178)	(6,602)	(3,917)	(16,267)	(8,268)	(38,232)
Eliminated on disposal of a subsidiary	(21,514)	–	–	–	–	(21,514)
Reclassification upon completion	1,364,131	1,373,361	–	–	(2,737,492)	–
Classified as assets held for sale	–	–	–	–	–	–
Depreciation charged for the year	(576,630)	(1,637,746)	(173,728)	(202,346)	–	(2,590,450)
Impairment loss recognised in the consolidated statement of profit or loss	(15,444)	(9,182)	(230)	(43)	–	(24,899)
At 31 December 2012 and 1 January 2013, as restated	**14,880,625**	**18,630,402**	**1,162,351**	**744,089**	**5,868,579**	**41,286,046**
Additions	**2,685,767**	**3,426,210**	**318,953**	**172,531**	**176,193**	**6,779,654**
Attributable to acquisition of subsidiaries	**500,836**	**565,245**	**36,623**	**12,715**	**9,573**	**1,124,992**
Disposals	**(216,797)**	**(222,700)**	**(140,865)**	**(67,901)**	**–**	**(648,263)**
Reclassification upon completion	**1,597,851**	**1,569,427**	**51,234**	**3,094**	**(3,221,606)**	**–**
Depreciation charged for the year	**(748,517)**	**(1,926,432)**	**(241,805)**	**(175,363)**	**–**	**(3,092,117)**
Impairment loss recognised in the consolidated statement of profit or loss	**(134,423)**	**(87,366)**	**(3,440)**	**(14,897)**	**–**	**(240,126)**
At 31 December 2013	**18,565,342**	**21,954,786**	**1,183,051**	**674,268**	**2,832,739**	**45,210,186**
At 31 December 2013						
Cost	**21,106,123**	**29,747,984**	**1,712,522**	**1,329,718**	**2,849,278**	**56,745,625**
Accumulated depreciation	**(2,309,485)**	**(7,673,029)**	**(516,957)**	**(628,016)**	**(16,539)**	**(11,144,026)**
Accumulated impairment loss	**(231,296)**	**(120,169)**	**(12,514)**	**(27,434)**	**–**	**(391,413)**
Carrying values	**18,565,342**	**21,954,786**	**1,183,051**	**674,268**	**2,832,739**	**45,210,186**
At 31 December 2012, as restated						
Cost	17,380,239	25,282,256	1,528,152	1,295,780	5,868,579	51,355,006
Accumulated depreciation	(2,359,042)	(6,599,713)	(356,469)	(535,203)	–	(9,850,427)
Accumulated impairment loss	(140,572)	(52,141)	(9,332)	(16,488)	–	(218,533)
Carrying values	14,880,625	18,630,402	1,162,351	744,089	5,868,579	41,286,046

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

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Cost of sales	**2,696,132**	2,253,315
Selling and marketing expenses	**62,988**	52,924
Administrative expenses	**332,997**	284,211
	3,092,117	2,590,450

(b) The buildings situated on the land located in the PRC under medium term leases.

(c) As at 31 December 2013, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB1,079,590,000 (2012: RMB3,305,167,000) (Note 38).

(d) During the year, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to an adverse operation environment, physical damage and technical obsolescence. Accordingly, impairment loss of approximately RMB240,126,000 (2012: RMB24,899,000) 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 by adopting discount rate ranged from 6.23% to 11.24% (2012: ranged from 5.86% to 10.70%).

(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 2013, 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 RMB222,917,000 (2012: RMB589,386,000). 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 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Cost	**4,506,258**	3,985,272
Accumulated amortisation	**(521,247)**	(434,808)
Carrying values	**3,985,011**	3,550,464
Analysed for reporting purposes as:		
Current asset	**131,052**	119,028
Non-current asset	**3,853,959**	3,431,436
	3,985,011	3,550,464

(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 2013, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB49,330,000 (2012: RMB170,382,000) (Note 38).

(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. 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. At 31 December 2013, the Group has obtained the formal ownership certificates for all the above prepaid lease payments.

23. INVESTMENT PROPERTIES

	2013	2012
	RMB'000	*RMB'000*
At 1 January		
Cost	**232,415**	232,415
Accumulated depreciation	**(59,100)**	(47,851)
Carrying values	**173,315**	184,564
At 1 January	**173,315**	184,564
Additions	**14,676**	–
Depreciation charged for the year	**(11,987)**	(11,249)
At 31 December	**176,004**	173,315
At 31 December		
Cost	**247,091**	232,415
Accumulated depreciation	**(71,087)**	(59,100)
Carrying values	**176,004**	173,315
Fair values at 31 December *(Note b)*	**732,907**	639,933

(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 2013 and 2012 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 the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood are assessed and discounted at the market yield expected by investors for this type of properties based on income approach. There has been no change from the valuation technique used in prior year. One of the key inputs used in valuing the investment properties was the discounted rates used. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties, which ranged from 3.50% to 7.00%. A slightly decreased in the discounted rate used would result in a significant increase in fair value measurement of the investment properties, and vice versa.

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

(d) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

23. INVESTMENT PROPERTIES *(Continued)*

(e) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3 *RMB'000*	**Fair value** **As at** **31/12/2013** ***RMB'000***
Commercial properties units located in PRC	732,907	**732,907**

(f) There were no transfer of fair value measurement between Level 2 and Level 3 during the year.

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

(h) The following amounts have been recognised in the consolidated statement of profit or loss:

	2013 ***RMB'000***	2012 *RMB'000*
Rental income recorded as other gains	**33,093**	35,780
Depreciation recorded as administrative expenses	**11,987**	11,249

24. INTANGIBLE ASSETS

	Goodwill	Patent and proprietary technologies	Customer relationships	Trademarks	Computer software and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	415,052	18,455	–	45,114	23,030	501,651
Additions	–	99,634	–	3,903	20,318	123,855
Attributable to acquisition of subsidiaries	146,560	–	–	–	–	146,560
Amortisation charged for the year	–	(21,260)	–	(2,581)	(9,854)	(33,695)
At 31 December 2012 and 1 January 2013	561,612	96,829	–	46,436	33,494	738,371
Additions	–	15,470	–	16,000	18,714	50,184
Attributable to acquisition of subsidiaries	101,368	–	7,832	–	2,442	111,642
Amortisation charged for the year	–	(16,369)	(1,468)	(12,905)	(8,598)	(39,340)
Impairment loss recognised in the consolidated statement of profit or loss	(129,296)	(9,717)	–	–	–	(139,013)
At 31 December 2013	533,684	86,213	6,364	49,531	46,052	721,844
At 31 December 2013						
Cost	786,400	195,398	40,169	86,607	115,694	1,224,268
Accumulated amortisation	–	(97,890)	(33,805)	(37,076)	(69,642)	(238,413)
Accumulated impairment loss	(252,716)	(11,295)	–	–	–	(264,011)
Carrying values	533,684	86,213	6,364	49,531	46,052	721,844
At 31 December 2012						
Cost	685,032	179,928	32,337	70,607	93,317	1,061,221
Accumulated amortisation	–	(81,521)	(32,337)	(24,171)	(59,823)	(197,852)
Accumulated impairment loss	(123,420)	(1,578)	–	–	–	(124,998)
Carrying values	561,612	96,829	–	46,436	33,494	738,371

24. INTANGIBLE ASSETS *(Continued)*

(a) Amortisation of intangible assets has been charged in administrative expenses.

(b) The goodwill impairment assessment is based on the recoverable amount of the CGU which is explained in Note 4 above. Particulars regarding impairment testing on goodwill are disclosed in Note 25.

(c) During the year, the directors of the Company conducted a review of the Group's intangible assets other than goodwill and determined that certain proprietary technologies were impaired, due to an adverse operation environment. Accordingly, impairment loss of approximately RMB9,717,000 has been recognised for that assets, which are used in the high-tech materials segment. The recoverable amounts of the relevant assets have been determined on the basis of their values in use.

(d) 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 and others	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 2013 allocated to these units are as follows:

	2013 **RMB'000**	2012 RMB'000
High-tech materials segment – Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite")	**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")	**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
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")	**24,484**	145,290
Cement segment – Ningxia Yuhao Concrete Co., Ltd. ("Ningxia Yuhao")	**–**	926
Cement segment – Gansu Zhangye Julong Building Materials Co., Ltd. ("Zhangye Julong")	**26,014**	–
Cement equipment and engineering services segment – LNV Technology Private Limited ("LNV Technology")	**57,765**	–
Cement segment – Wuhai City Xishui Cement Company Limited ("Wuhai Xishui")	**2,518**	–
Cement segment – Longnan Runji Cement Company Limited ("Runji Cement")	**15,071**	–
	533,684	561,612

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

During the year ended 31 December 2013, impairment loss of approximately RMB129,296,000 has been recognised in respect of the goodwill arising from Gansu Gulangxia, Pingluo Golden, Xiahe Anduo and Ningxia Yuhao since the expected future performance is expected to be less optimistic.

During the year ended 31 December 2012, management of the Group determines that there are no impairments of any of its CGU containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Taishan Composite Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Taishan Composite Group's management covering a five-year period, and discount rate of 9.63% (2012: 10.77%) 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 17.28% (2012: 18.13%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite Group to exceed the aggregate recoverable amount of Taishan Composite Group.

Yixing Tianshan

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Yixing Tianshan's management covering a five-year period, and discount rate of 12.81% (2012: 11.84%) 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 11.72% to 13.83% (2012: 11.38% to 13.34%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Yixing Tianshan believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Yixing Tianshan to exceed the aggregate recoverable amount of Yixing Tianshan.

Tianshan Cement Group

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshan Cement Group's management covering a five-year period, and discount rate of 8.40% (2012: 9.60%) 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 21.93% (2012: 22.75%). 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 10.15% (2012: 9.74%) 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 23.30% to 29.30% (2012: 22.19% to 26.26%). Such estimation is based on the unit's past performance and management's expectations for the market development.

Management of Qilianshan Holdings believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Qilianshan Holdings to exceed the aggregate recoverable amount of Qilianshan Holdings.

Tianshui China

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshui China's management covering a five-year period, and discount rate of 10.48% (2012: 11.88%). 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 27.63% to 30.24% (2012: 29.03% to 31.17%). 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 approximately RMB12,804,000 this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Gansu Gulangxia's management covering a five-year period, and discount rate of 12.24% (2012: 13.15%) 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 5.73% to 7.30% (2012: 8.92% to 12.10%). 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 18.00% (2012: 18.00%) 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 73.80% (2012: 76.20%). 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 approximately RMB52,871,000 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 7.23% (2012: 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 13.40% (2012: 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 approximately RMB310,665,000 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 11.24% (2012: 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 21.38% to 30.00% (2012: 33.99% to 36.77%). 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 approximately RMB10,187,000 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 6.23% (2012: 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 23.00% (2012: 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.

Zhangye Julong

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 Zhangye Julong's management covering a five-year period, and discount rate of 12.70% that reflects current market assessment of the time value of money and the risks specific to this unit. Zhangye Julong'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 13.80%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Zhangye Julong believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Zhangye Julong to exceed the aggregate recoverable amount of Zhangye Julong.

LNV Technology

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 LNV Technology's management covering a five-year period, and discount rate of 19.68% that reflects current market assessment of the time value of money and the risks specific to this unit. LNV Technology'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 30.00%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of LNV Technology believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of LNV Technology to exceed the aggregate recoverable amount of LNV Technology.

Wuhai Xishui

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 Wuhai Xishui's management covering a five-year period, and discount rate of 8.52% that reflects current market assessment of the time value of money and the risks specific to this unit. Wuhai Xishui'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 12.84%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Wuhai Xishui believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Wuhai Xishui to exceed the aggregate recoverable amount of Wuhai Xishui.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Runji Cement

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 Runji Cement's management covering a five-year period, and discount rate of 11.28% that reflects current market assessment of the time value of money and the risks specific to this unit. Runji Cement'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 18.47%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Runji Cement believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Runji Cement to exceed the aggregate recoverable amount of Runji Cement.

26. MINING RIGHTS

	2013	2012
	RMB'000	*RMB'000*
At 1 January		
Cost	**625,850**	576,466
Accumulated amortisation	**(142,763)**	(99,300)
Carrying values	**483,087**	477,166
At 1 January	**483,087**	477,166
Additions	**50,700**	33,860
Attributable to acquisition of subsidiaries	**28,831**	15,524
Amortisation charged for the year	**(49,673)**	(43,463)
At 31 December	**512,945**	483,087
At 31 December		
Cost	**705,381**	625,850
Accumulated amortisation	**(192,436)**	(142,763)
Carrying values	**512,945**	483,087

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. INTERESTS IN ASSOCIATES

	2013	2012
	RMB'000	*RMB'000*
Cost of investment in associates		
Unlisted equity interests	**656,619**	1,129,233
Share of post-acquisition profits and other comprehensive income, net of dividend received	**207,099**	264,673
	863,718	1,393,906

Note:

In the opinion of the directors of the Company, no individual associate principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

On 2 April 2013, the Group disposed of its 7.44% equity interests in Beijing Tongda Refractory Technologies Co., Ltd., to an independent third party for a consideration in aggregate of approximately RMB54,491,000. The carrying amount of the 7.44% investment on the date of disposal is approximately RMB59,922,000 and loss on disposal of approximately RMB5,431,000 was recognised in profit or loss for the year ended 31 December 2013.

On 7 August 2013, the Group disposed of its 45% equity interests in Baotou Xishui Cement Co., Ltd., being the entire equity interests held by the Group, to an independent third party for a consideration of RMB49,700,000. The carrying amount of the 45% investment on the date of disposal is approximately RMB71,464,000 and loss on disposal of approximately RMB21,764,000 was recognised in profit or loss for the year ended 31 December 2013.

On 18 November 2013, the Group disposed of its 31.64% equity interests in Xinjiang Yili Nangang Building Materials Co., Ltd., being the entire equity interests held by the Group, to an independent third party for a consideration of RMB155,829,000. The carrying amount of the 31.64% investment on the date of disposal is approximately RMB102,610,000 and gain on disposal of approximately RMB53,219,000 was recognised in profit or loss for the year ended 31 December 2013.

On 21 June 2013, the Group acquired additional 55% equity interest in Wuhai Xishui as transaction details stated in Note 48 (a) (iii). After the completion of transaction, the Group's interest in Wuhai Xishui was increased to 100%. The carrying amount and fair value of the 45% equity interests investment on the transaction date is approximately RMB218,170,000 and RMB188,690,000 respectively. A loss on deemed disposal of interests in associate approximately RMB29,480,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013.

27. INTERESTS IN ASSOCIATES *(Continued)*

The financial information and carrying amount in aggregate, of the Group's interests that are not individually material and are accounted for using the equity method are set out below:

	2013	2012
	RMB'000	*RMB'000*
The Group's share of loss (net of dividend received)	**66,353**	7,365
The Group's share of other comprehensive income (expenses)	**–**	–
The Group's share of total comprehensive income (expenses)	**66,353**	7,365
Aggregate carrying amount of the Group's interest in immaterial associates	**863,718**	1,393,906

28. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2013	2012
	RMB'000	*RMB'000*
		(restated)
Cost of investment in joint ventures		
Unlisted equity interests	**123,940**	123,940
Share of post-acquisition profits and other comprehensive income	**10,298**	38,556
	134,238	162,496

Note:

In the opinion of the directors of the Company, no individual joint venture principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of the joint ventures would, in the opinion of the directors of the Company, result in particulars of excessive length.

The financial information and carrying amount in aggregate, of the Group's interests that are not individually material and are accounted for using the equity method are set out below:

	2013	2012
	RMB'000	*RMB'000*
The Group's share of loss	**(27,269)**	(10,674)
The Group's share of total comprehensive expenses	**(27,269)**	(10,674)
Aggregate carrying amount of the Group's interest in joint ventures	**134,238**	162,496

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Measured at fair value		
Listed equity securities in PRC	**1,829,356**	2,131,214
Measured at cost		
Unlisted equity securities in PRC	**302,405**	263,366
Less: Impairment loss recognised	**(109,206)**	(106,260)
	193,199	157,106
	2,022,555	2,288,320

(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 RMB193,199,000 (2012: RMB157,106,000), after accumulated impairment loss of approximately RMB109,206,000 (2012: RMB106,260,000), 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 2013, approximately RMB5,330,000 (2012: 2,946,000) of the Group's unlisted equity investments were individually determined to be impaired on the basis of cessation of business of a unlisted company included in the unlisted equity investments at cost.

(c) As at 1 January 2012, 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 2012.

(d) During the year ended 31 December 2013, the Group invested an additional investment in unlisted equity securities with amount approximately of RMB42,182,000.

(e) During the year ended 31 December 2013 and 2012, unlisted equity securities measured at cost with a net carrying amount of approximately RMB759,000 (2012: RMB2,108,000) were disposed of and resulted in a gain of approximately RMB2,362,000 (2012: a gain of approximately RMB2,873,000).

(f) All available-for-sale financial assets are denominated in RMB.

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current	
	2013	2012
	RMB'000	*RMB'000*
Derivative financial assets		
– Foreign currency forward contracts	**21,169**	4,708
Derivative financial liabilities		
– Foreign currency forward contracts	**–**	657

As at 31 December 2013, major terms of the foreign currency forward contracts are as follows:

Notional amounts	Maturities	Exchange rates
Sell USD500,000	30 April 2014	RMB6.1980:US$1
Sell USD7,500,000	30 May 2014	RMB6.2047:US$1
Sell USD300,000	28 March 2014	RMB6.0758:US$1
Sell USD700,000	30 July 2014	RMB6.0878:US$1
Sell USD10,000,000	27 June 2014	RMB6.2122:US$1
Sell USD17,000,000	29 August 2014	RMB6.1208:US$1
Sell USD20,000,000	27 March 2014	RMB6.4376:US$1
Sell USD20,000,000	26 September 2014	RMB6.1184:US$1
Sell USD1,000,000	30 October 2014	RMB6.1212:US$1
Sell USD8,000,000	28 November 2014	RMB6.1218:US$1
Sell USD15,000,000	22 December 2014	RMB6.1236:US$1
Sell USD2,744,000	15 January 2014	RMB6.2094:US$1
Sell USD4,656,000	28 February 2014	RMB6.2191:US$1
Sell USD5,800,000	17 March 2014	RMB6.2323:US$1
Sell USD5,120,000	15 April 2014	RMB6.2421:US$1
Sell USD4,400,000	15 May 2014	RMB6.2560:US$1
Sell USD10,976,000	1 January 2014	RMB6.1960:US$1
Sell USD18,624,000	17 February 2014	RMB6.2054:US$1
Sell USD23,200,000	17 March 2014	RMB6.2126:US$1
Sell USD20,480,000	15 April 2014	RMB6.2202:US$1
Sell USD17,600,000	15 May 2014	RMB6.2281:US$1
Buy USD1,355,000	27 August 2014	RMB6.2200:US$1
Buy USD1,355,000	12 August 2014	RMB6.2300:US$1
Buy USD1,355,000	10 July 2014	RMB6.2300:US$1
Buy USD1,355,000	11 June 2014	RMB6.2300:US$1
Buy USD1,355,000	12 May 2014	RMB6.2300:US$1
Buy USD1,355,000	10 April 2014	RMB6.2300:US$1
Buy USD1,355,000	12 March 2014	RMB6.2300:US$1
Buy USD1,355,000	13 February 2014	RMB6.2300:US$1
Buy USD1,355,000	10 January 2014	RMB6.2300:US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2012, major terms of the foreign currency forward contracts were 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

31. INVENTORIES

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
		(Restated)
Raw materials	**3,954,144**	2,384,193
Work-in-progress	**2,295,134**	2,936,209
Finished goods	**2,524,002**	3,072,944
	8,773,280	8,393,346

During the year ended 31 December 2013, reversal of allowance of inventories of approximately RMB12,205,000 (2012: RMB10,534,000) has been recognised as the corresponding inventories were either sold or used.

32. TRADE AND OTHER RECEIVABLES

	31 December 2013 **RMB'000**	31 December 2012 *RMB'000* (Restated)
Trade receivables and retentions		
Trade and bills receivables	**14,158,039**	11,331,008
Retentions	**151,095**	115,615
	14,309,134	11,446,623
Less: Impairment loss recognised	**(1,811,755)**	(1,075,071)
Trade receivables and retentions, net	**12,497,379**	10,371,552
Loan receivables		
Loan receivables *(Note e)*	**124,245**	105,000
Less: Impairment loss recognised	**(54,961)**	(46,448)
Loan receivables, net	**69,284**	58,552
Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables		
Prepayments to suppliers and subcontractors *(Note g)*	**7,584,700**	5,294,497
Staff advances	**78,242**	74,675
Deposits	**149,450**	76,797
Other receivables	**2,007,055**	1,287,702
	9,819,447	6,733,671
Less: Impairment loss recognised	**(704,455)**	(431,865)
Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables, net	**9,114,992**	6,301,806
Total trade and other receivables	**21,681,655**	16,731,910
Less: Non-current portion		
Retentions	**(87,611)**	(84,132)
Current portion	**21,594,044**	16,647,778

The Group does not hold any collateral over these balances.

32. 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 2013	31 December 2012
	RMB'000	*RMB'000* (Restated)
Less than 6 months	**10,473,452**	8,484,000
6 months to 1 year	**1,306,088**	1,273,016
1 year to 2 years	**520,306**	489,127
2 years to 3 years	**166,693**	109,515
Over 3 years	**30,840**	15,894
	12,497,379	10,371,552

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 2013, approximately of RMB1,064,336,000 (2012: RMB785,722,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000* (Restated)
Less than 6 months	**35,099**	23,399
6 months to 1 year	**500,707**	341,723
1 year to 2 years	**396,667**	321,179
2 years to 3 years	**125,980**	92,068
Over 3 years	**5,883**	7,353
	1,064,336	785,722

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.

32. 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 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
RMB	**20,788,830**	15,526,694
US$	**280,341**	498,003
EUR	**94,636**	238,994
ALL	**76,576**	64,350
SAR	**217,682**	175,550
AZN	**61,254**	65,299
IQD	**121,292**	132,263
Others	**41,044**	30,757
	21,681,655	16,731,910

(d) Movement on the impairment loss of trade receivables is as follows:

	2013 *RMB'000*	2012 *RMB'000* (Restated)
At 1 January	**1,075,071**	784,457
Impairment loss recognised	**743,363**	336,945
Receivables written off as uncollectible	**(6,679)**	(46,331)
At 31 December	**1,811,755**	1,075,071

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB1,811,755,000 (2012: RMB1,075,071,000). The individually impaired receivables mainly related to customers that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

32. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) Movement on the impairment loss of loan receivables is as follows:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**46,448**	41,875
Impairment loss recognised	**8,513**	4,573
At 31 December	**54,961**	46,448

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB54,961,000 (2012: RMB46,448,000) 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.

(f) For the year ended 31 December 2013, the interest bearing loan receivables amounted to approximately RMB25,400,000 (2012: RMB21,500,000) bear interest ranging from 5.52% to 7.07% (2012: 5.31% to 6.95%). The remaining loan receivables amounted to approximately RMB98,845,000 (2012: RMB83,500,000) are non-interest bearing. The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

(g) Movement on the impairment loss of prepayments to suppliers and subcontractors and other receivables is as follows:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**431,865**	104,994
Impairment loss recognised	**320,088**	347,536
Reversal	**(25,000)**	–
Receivables written off as uncollectible	**(22,498)**	(20,665)
At 31 December	**704,455**	431,865

Included in the impairment loss recognised are individually impaired prepayments to suppliers and subcontractors and other receivables with an aggregate balance of approximately RMB704,455,000 (2012: RMB431,865,000) 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 and the balances also included the impairment of approximately RMB44,500,000 (2012: RMB69,500,000) provided for the consideration receivables for disposal of Taian City Electric Power Co. Ltd. ("Taian Electric") as stated in Note 50 (ii). The factors considered by management in determining the impairment are described in Note 7.

32. TRADE AND OTHER RECEIVABLES *(Continued)*

(h) 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 various customers for which some of these agreements required Sinoma E&E to make prepayments. However, certain of these customers were unable to settle their outstanding trade receivables or refund the prepayments made by Sinoma E&E in accordance with the contractual terms of steel trading agreements with outstanding balances of trade receivables and prepayments to suppliers of approximately RMB946,941,000 and RMB679,796,000 respectively. In order to recover the outstanding receivables and/or prepayments, Sinoma E&E has taken legal actions against these customers. As at 31 December 2012, the directors of the Company had assessed the recoverability of each customer individually and recognised an impairment loss in respect of trade receivable and prepayments to suppliers of approximately RMB186,085,000 and RMB214,648,000 respectively for the year ended 31 December 2012.

During the year ended 31 December 2013, despite that Sinoma E&E had been successful in the legal proceedings, no material repayments had been received from those customers. In view of such, Sinoma E&E had applied to courts in the PRC for freezing the assets of certain customers. Having regard inter alia to the results of these freezing orders, financial position of the respective customers and value of assets available for settlement, the directors of the Company recognised further impairment in respect of trade receivables and prepayments to suppliers of approximately RMB515,398,000 and RMB210,668,000 respectively during the year ended 31 December 2013. The directors of the Company believe that Sinoma E&E can fully recover the remaining balances.

33. CONTRACT WORK-IN-PROGRESS

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**45,757,326**	50,181,815
Less: Progress billings	**(45,501,382)**	(49,911,789)
Contract work-in-progress	**255,944**	270,026
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**599,010**	562,674
Amounts due to customers for contract work	**(343,066)**	(292,648)
	255,944	270,026
Contract revenue recognised as turnover	**13,890,444**	12,453,866

Included in the trade and other receivable are retentions due from customers for contract works of approximately RMB151,095,000 (2012: RMB115,615,000).

Included in the trade and other payables are advances received from customers for contract works of approximately RMB7,968,235,000 (2012: RMB6,797,200,000).

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 2013, foreseeable losses on construction contracts of approximately RMB58,348,000 (2012: RMB55,298,000) have been recognised in the consolidation statement of profit or loss.

34. RESTRICTED BANK BALANCES

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
RMB	**1,342,101**	1,935,293
US$	**165**	5,276
EUR	**31,862**	29,651
Others	**5,835**	3,869
	1,379,963	1,974,089

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB9,033,000 (2012: RMB25,950,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2013, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, ranged from 0.35% to 3.21% (2012: 0.36% to 3.25%) per annum.

35. BANK BALANCES AND CASH

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Cash at bank and in hand	**6,564,717**	6,802,636
Bank deposits		
– Term deposits	**100,210**	1,507,461
– Other bank deposits	**605,128**	925,170
	705,338	2,432,631
Cash and cash equivalents	**7,270,055**	9,235,267

35. BANK BALANCES AND CASH *(Continued)*

(a) The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000* (Restated)
RMB	**5,445,136**	7,717,187
US$	**1,333,991**	782,669
EUR	**217,519**	513,440
ZAR	**16,353**	47,481
VND	**6,646**	21,510
NGN	**10,365**	349
SAR	**36,394**	23,003
XOF	**37,872**	30,922
MYR	**13,855**	13,348
AED	**25,679**	–
IQD	**1,628**	1,057
ALL	**42**	40
AZN	**1,582**	9,293
Others	**122,993**	74,968
	7,270,055	9,235,267

(b) As at 31 December 2013, the fixed interest rate on term deposits with initial terms over three months ranged from 3.88% to 5.55%(2012: 2.60% to 5.10%) per annum.

As at 31 December 2013, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months ranged from 2.80% to 3.10% (2012: 2.60% to 2.85%) 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.

36. TRADE AND OTHER PAYABLES

	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
Trade payables	**15,517,827**	13,635,795
Deposits, advances, accruals and other payables		
Prepayment from customers	**10,725,497**	9,002,817
Accrued payroll and welfare	**432,333**	418,821
Accrued social security costs	**279,706**	276,594
Other taxes	**227,943**	329,198
Accrued expenses	**293,479**	288,585
Deposits payable	**173,174**	170,340
Dividends payable to non-controlling interests by subsidiaries	**148,196**	159,829
Other payables	**659,017**	705,760
	12,939,345	11,351,944
Total trade and other payables	**28,457,172**	24,987,739
Less: Non-current portion:		
Accrued payroll and welfare	**(4,034)**	(4,645)
Current portion	**28,453,138**	24,983,094

36. TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date are as follows:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Within 6 months	**11,948,717**	10,767,114
6 months to 1 year	**2,668,255**	2,159,367
1 year to 2 years	**638,196**	512,732
2 years to 3 years	**157,272**	96,333
Over 3 years	**105,387**	100,249
	15,517,827	13,635,795

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
RMB	**26,227,112**	23,258,840
US$	**1,693,511**	1,436,534
EUR	**531,516**	289,516
HK$	**5,033**	2,849
	28,457,172	24,987,739

(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.

37. SHORT-TERM FINANCING BILLS

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Short-term financing bills	**2,900,000**	400,000

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.

On 23 January 2013, the Company issued one-year short-term financing bills of face value at RMB1,000,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.24% per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 21 March, 23 May and 10 October 2013, Tianshan Cement issued three one-year short-term financing bills of face value at RMB400,000,000, RMB200,000,000 and RMB400,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.55%, 4.44% and 5.78% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 23 April 2013, the Sinoma Cement Co., Ltd. ("Sinoma Cement") issued one-year short-term financing bills of face value at RMB300,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.50% per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 14 May 2013, the Sinoma Science & Technology Co., Ltd. ("Sinoma Science & Technology") issued one-year short-term financing bills of face value at RMB600,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.30% per annum and the principal together with the interest thereon is payable on maturity of the bills.

38. BORROWINGS

	31 December 2013 ***RMB'000***	31 December 2012 *RMB'000* (Restated)
Bank borrowing		
– Secured	**2,036,357**	1,824,899
– Unsecured	**20,183,309**	21,007,135
	22,219,666	22,832,034
Other borrowing		
– Secured	**–**	–
– Unsecured	**1,969,581**	2,198,012
	1,969,581	2,198,012
Total borrowing	**24,189,247**	25,030,046
Non-current		
Long-term bank borrowings		
– Secured *(Note a)*	**826,200**	917,590
– Unsecured	**6,160,278**	7,218,061
	6,986,478	8,135,651
Other borrowings		
– Secured *(Note a)*	**–**	–
– Unsecured	**944,948**	1,144,948
	944,948	1,144,948
Total non-current borrowings	**7,931,426**	9,280,599
Current		
Current portion of long-term bank borrowings		
– Secured *(Note a)*	**267,740**	238,879
– Unsecured	**1,278,334**	2,478,211
	1,546,074	2,717,090
Short-term bank borrowings		
– Secured *(Note a)*	**1,091,497**	668,430
– Unsecured	**12,595,617**	11,310,863
	13,687,114	11,979,293
Other borrowings		
– Secured *(Note a)*	**–**	–
– Unsecured	**1,024,633**	1,053,064
	1,024,633	1,053,064
Total current borrowings	**16,257,821**	15,749,447
Total borrowings	**24,189,247**	25,030,046

38. BORROWINGS *(Continued)*

Notes:

(a) Secured borrowings of the Group as at 31 December 2013 and 2012 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 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Fixed-rate borrowings	**9,600,712**	9,760,462
Variable-rate borrowings	**14,588,535**	15,269,584
	24,189,247	25,030,046

(c) The maturities of total borrowings are set out as follows:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
Within 1 year	**16,257,821**	15,749,447
1 year to 2 years	**3,304,572**	3,946,945
2 years to 5 years	**4,130,715**	4,646,501
Wholly repayable within 5 years	**23,693,108**	24,342,893
Over 5 years	**496,139**	687,153
	24,189,247	25,030,046

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000* (Restated)
RMB	**23,932,501**	24,883,594
US$	**256,746**	146,452
	24,189,247	25,030,046

38. BORROWINGS *(Continued)*

Notes: (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 2013	31 December 2012
	RMB'000	*RMB'000*
		(Restated)
Guarantees provided by:		
– Other state-owned enterprises	**20,000**	20,000
– Independent third parties	**538,460**	517,300
	558,460	537,300

(f) The weighted average effective interest rates (per annum) at the end of the respective reporting periods are as follows:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Bank borrowings		
– RMB	**6.51%**	6.39%
– US$	**3.93%**	3.73%
Other borrowings		
– RMB	**5.97%**	5.80%

(g) The undrawn borrowing facilities are as follows:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Floating rate		
– Expiring within 1 year	**12,379,530**	11,883,820
– Expiring beyond 1 year	**9,789,285**	10,166,833
Fixed rate		
– Expiring within 1 year	**7,671,894**	9,037,202
– Expiring beyond 1 year	**285,000**	85,000
	30,125,709	31,172,855

39. 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 plan is administered by the Group and contributed from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. Under the plan, the employees are entitled to retirement benefits varying between 45% and 65% of final salary on attainment of a retirement age of 55-60.

The defined benefit plan expose the Group to actuarial risks, such as interest rate risk, longevity risk and salary risk.

Interest rate risk	A decrease in the bond interest rate will increase the plan liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

39. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

Amounts recognised in profit or loss or other comprehensive income in respect of the defined benefit plan are as follows:

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Past service cost	**(9,060)**	(20,460)
Routine benefit payment	**50,897**	49,099
Net interest on obligation	**(11,044)**	(12,064)
Total amounts recognised in profit or loss	**30,793**	16,575
Remeasurement of defined benefit obligation:		
Actuarial losses recognised in the year	**(38,762)**	(6,103)
Adjustments for restrictions on the defined benefit asset	**22,567**	–
Total amounts recognised in other comprehensive income	**(16,195)**	(6,103)
Total defined benefit costs	**14,598**	10,472

Of the amounts recognised in profit or loss, amounted to approximately RMB20,104,000 (2012: RMB32,524,000) has been included in administrative expenses.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefit plan is as follows:

	2013 ***RMB'000***	2012 *RMB'000* (Restated)
Present value of unfunded defined benefit obligation	**317,268**	331,866
Less: current portion	**(50,897)**	(49,114)
Non-current portion	**266,371**	282,752

39. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

Movements in the present value of the funded defined benefit obligations in the current year were as follows:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
At 1 January	**331,866**	342,338
Interest cost	**11,044**	12,064
Remeasurements:		
Adjustments for restrictions on the defined benefit asset	**(22,567)**	–
Actuarial losses recognised in the year	**38,762**	6,103
Past service cost, including losses on curtailments	**9,060**	20,460
Benefit paid	**(50,897)**	(49,099)
At 31 December	**317,268**	331,866

The principal assumptions used for the purposes of the actuarial valuation were as follow:

	Valuation at	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Discount rate	**4.7%**	4.4%
Benefit increase rates	**6%**	5%
Mortality for current early retiree		
Male	**0.26%**	0.26%
Female	**0.14%**	0.14%
Mortality for current retiree		
Male	**1.19%**	0.70%
Female	**0.75%**	0.43%

39. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

The assumptions on mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period.

	Change in assumption	**Impact on defined benefit obligation 31/12/2013** *RMB'000*
Discount rate	increase/decrease by 0.5%	decrease/increase by 13,106
Benefits increase rates	increase/decrease by 0.5%	increase/decrease by 13,357
Mortality	increase/decrease by 1%	increase/decrease by 855

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability arising from defined benefit obligation.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 58 years.

The most recent actuarial valuations of plan and the present value of the defined benefit obligation were carried out at 24 February 2014 by Mr. Alex Tschai, Consulting Director, Principal Actuary of Mercer Investment Consulting Inc and is a Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, related service cost were measured using the Projected Unit Credit Cost method.

40. 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 2013, no share appreciation rights granted was exercised or expired. As at 31 December 2013, the expiry date of the outstanding share appreciation rights is four years.

For the year ended 31 December 2013, the Group has reversed expenses of approximately RMB871,000 (2012: reversed expenses of approximately RMB459,000) and with liabilities balances of RMB113,000 (2012: approximately RMB984,000) 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% (2012: 50%), risk free rate of 4.46% (2012: 3.30%) and dividend yield of 1% (2012: 1%). The share appreciation rights liability was recorded in accrued payroll and welfare in trade and other payables and administrative expenses.

41. PROVISIONS

	2013	2012
	RMB'000	*RMB'000*
Analysed for reporting purposes:		
Non-current liabilities	**56,460**	44,788
Current liabilities	**25,060**	48,724
	81,520	93,512

	Provision for litigation	**Warranties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(Note i)	*(Note ii)*	
At 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 and 1 January 2013	27,780	65,732	93,512
Additional provision recognised	–	38,331	38,331
Reversal	(27,780)	–	(27,780)
Utilised during the year	–	(22,543)	(22,543)
At 31 December 2013	–	81,520	81,520

Notes:

(i) Provision for litigation is made based on management's best estimates and judgement, as described in Note 7 above. During the year ended 31 December 2013, the Company has received final judgement from the court and confirmed that the Company was not liable for the case and therefore, the management of the Company made full reversal of such provision made in previous year.

(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.

42. CORPORATE BONDS

	2013	2012
	RMB'000	*RMB'000*
Corporate bonds, at amortised cost	**2,492,782**	2,490,239

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.

43. MEDIUM-TERM NOTES

	2013	2012
	RMB'000	*RMB'000*
Medium-term notes, at amortised cost	**5,755,339**	5,253,610

The medium-term notes are denominated in RMB and the details are as follow:

Date of issue	**Principal**	**Term**	**Contractual interest rate**	**Interest payment**	**Effective interest rate**
	RMB'000				
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%
7 June 2013	500,000	3 years	5.04% per annum	Annually	5.04%

44. 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 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 and 1 January 2013	294,805	229,069	165,029	688,903
Additions	146,445	118,766	23,033	288,244
Utilised/amortised during the year	(110,597)	(79,560)	(22,657)	(212,814)
At 31 December 2013	330,653	268,275	165,405	764,333

During the year ended 31 December 2013, the Group received government grants of approximately RMB146,445,000 (2012: RMB290,293,000) 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 RMB110,597,000 (2012: RMB108,719,000). As at 31 December 2013, an amount of approximately RMB330,653,000 (2012: RMB294,805,000) remains unutilised.

During the year ended 31 December 2013, the Group received government grants of approximately RMB141,799,000 (2012: RMB157,613,000) 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 RMB102,217,000 (2012: RMB96,766,000). As at 31 December 2013, an amount of approximately RMB433,680,000 (2012: RMB394,098,000) remains unamortised.

45. 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 2012 (restated)	246,414	6,432	13,714	18,477	165,368	59,668	83,893	593,966
Acquisition of subsidiaries	1,750	–	–	–	–	–	–	1,750
Eliminated on disposal of a subsidiary	(9,431)	–	–	–	–	–	–	(9,431)
Credited to other comprehensive income	–	–	–	–	–	1,831	–	1,831
Credited (charged) to the consolidated statement of profit or loss	59,220	(254)	149	10,461	57,949	(11,265)	4,524	120,784
Effect of changes in tax rates	(4,463)	–	–	–	–	–	–	(4,463)
At 31 December 2012 and 1 January 2013 (restated)	293,490	6,178	13,863	28,938	223,317	50,234	88,417	704,437
Acquisition of subsidiaries	952	–	–	–	–	–	–	952
Credited to other comprehensive income	–	–	–	–	–	4,425	–	4,425
Credited (charged) to the consolidated statement of profit or loss	71,136	(1,026)	612	8,771	47,568	(5,761)	1,083	122,383
At 31 December 2013	365,578	5,152	14,475	37,709	270,885	48,898	89,500	832,197

45. 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 2012 (restated)	277,758	2,642	427,458	707,858
Attributable to acquisition of subsidiaries	39,078	–	–	39,078
Credited to other comprehensive income	–	–	(16,245)	(16,245)
Credited to consolidated statement of profit or loss	(33,188)	(304)	–	(33,492)
At 31 December 2012 and 1 January 2013 (restated)	283,648	2,338	411,213	697,199
Attributable to acquisition of subsidiaries	18,378	–	–	18,378
Credited to other comprehensive income	–	–	(76,300)	(76,300)
Credited to consolidated statement of profit or loss	(30,099)	(336)	–	(30,435)
At 31 December 2013	271,927	2,002	334,913	608,842

45. 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 2013, a deferred tax asset has been recognised in respect of approximately RMB89,755,000 (2012: RMB85,977,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses amounting to approximately RMB1,264,372 (2012: RMB1,067,075,000), 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:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**63,325**	50,011
Between 1 to 2 years	**210,412**	47,625
Between 2 to 3 years	**416,245**	210,412
Between 3 to 4 years	**342,782**	416,245
Between 4 to 5 years	**231,608**	342,782
	1,264,372	1,067,075

46. 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 2012, 31 December 2012, 1 January 2013 and 31 December 2013	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

47. RESERVES

Safety fund

	2013 *RMB'000*	2012 *RMB'000*
At 1 January	**114,381**	86,666
Safety fund set aside	**97,545**	77,666
Utilisation of safety fund	**(57,911)**	(49,951)
At 31 December	**154,015**	114,381

Foreign exchange reserve

	2013 *RMB'000*	2012 *RMB'000*
At 1 January	**(20,208)**	(12,523)
Exchange differences arising on translation	**(26,661)**	(7,685)
At 31 December	**(46,869)**	(20,208)

Investment revaluation reserve

	2013 *RMB'000*	2012 *RMB'000*
At 1 January	**1,205,026**	1,255,685
Loss on fair value changes of available-for-sale financial assets	**(307,290)**	(68,160)
Income tax relating to fair value changes of available-for-sale financial assets	**77,114**	17,501
At 31 December	**974,850**	1,205,026

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the year ended 31 December 2013

(i) Zhangye Julong

On 1 April 2013, the Group acquired 26% equity interests in Zhangye Julong from independent third party for an aggregate cash consideration of RMB60,000,000. Zhangye Julong is principally engaged in the production of clinker and 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.

The Group had signed an agreement with another shareholder of Zhangye Julong, Gansu Heihe Hydropower Development Company Limited ("Gansu Heihe"), which hold 26% equity interests in Zhangye Julong. Pursuant to the agreement, Gansu Heihe agreed to act in consent with the Group and the Group had obtained more than half of the voting power in the board of directors of Zhangye Julong and therefore, Zhangye Julong is regarded as a non-wholly owned subsidiary of the Group.

Consideration transferred

	RMB'000
Cash	60,000

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	302,587
Prepaid lease payments	7,790
Deferred income tax assets	949
Inventories	62,824
Trade and other receivables	162,400
Bank balances and cash	6,264
Trade and other payables	(195,409)
Income tax liabilities	5,390
Borrowings	(180,750)
Dividend payable	(37,131)
Deferred income tax liabilities	(4,198)
	130,716

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB162,400,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB162,400,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(i) Zhangye Julong *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	60,000
Plus: non-controlling interest (74% in Zhangye Julong)	96,730
Less: net assets acquired	(130,716)
Goodwill arising on acquisition	26,014

The non-controlling interest in Zhangye Julong recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Zhangye Julong and amounted to approximately RMB96,730,000.

Goodwill arose in the acquisition of Zhangye Julong 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 Zhangye Julong. 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 Zhangye Julong

	RMB'000
Cash consideration paid	(60,000)
Cash and cash equivalents acquired	6,264
	(53,736)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB52,439,000 attributable to the additional business generated by Zhangye Julong. Turnover for the year includes approximately RMB289,185,000 is generated from Zhangye Julong.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(i) Zhangye Julong *(Continued)*

Had the acquisition been completed on 1 January 2013, total turnover of the Group for the year would have been RMB52,100,406,000 and profit for the year would have been RMB1,457,242,000. 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 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Zhangye Julong been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, 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 preacquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(ii) LNV Technology

On 1 April 2013, the Group acquired 68% equity interests in LNV Technology from an independent third parties for an aggregate cash consideration of approximately RMB149,164,000 (INR1,300,139,000). LNV Technology is principally engaged in offering engineering solutions and was acquired so as to continue the expansion of the cement equipment and engineering services in India. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	149,164

Acquisition-related costs were insignificant and have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 December 2013, within the 'administrative expenses' in the consolidated statement of profit or loss.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(ii) LNV Technology *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	43,568
Intangible assets	10,274
Other non-current assets	20,321
Inventories	4,172
Trade and other receivables	68,905
Other current assets	18,766
Bank balances and cash	44,863
Trade and other payables	(75,042)
Deferred income tax liabilities	(1,416)
	134,411

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB68,905,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB68,905,000 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	149,164
Plus: non-controlling interests (32% in LNV Technology)	43,012
Less: net assets acquired	(134,411)
Goodwill arising on acquisition	57,765

The non-controlling interest in LNV Technology recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of LNV Technology and amounted to approximately RMB43,012,000.

Goodwill arose in the acquisition of LNV Technology 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 LNV Technology. 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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(ii) LNV Technology *(Continued)*

Net cash outflow on acquisition of LNV Technology

	RMB'000
Cash consideration paid	(149,164)
Cash and cash equivalents acquired	44,863
	(104,301)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB4,668,000 attributable to the additional business generated by LNV Technology. Turnover for the year includes approximately RMB62,721,000 generated from LNV Technology.

Had the acquisition been completed on 1 January 2013, total turnover of the Group for the year would have been approximately RMB52,130,413,000, and profit for the year would have been approximately RMB1,473,952,000. 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 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" turnover and profit of the Group had LNV Technology been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, 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 preacquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(iii) Wuhai Xishui

On 21 June 2013, the Group acquired additional 55% equity interest in Wuhai Xishui held by Xishui Strong Year Co., Ltd Inner Mongolia ("XSGF") for a consideration of RMB233,139,000. Wuhai Xishui was currently owned by Ningxia Building Materials and XSGF as to 45% and 55%, respectively. Upon completion of the acquisition, Wuhai Xishui has become a wholly-owned subsidiary of Ningxia Building Materials and an indirect subsidiary of the Company.Wuhai Xishui is principally engaged in manufacturing and sales of cement and cement clinker 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	233,139

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	487,379
Prepaid lease payments	8,390
Mining rights	23,851
Inventories	74,392
Trade and other receivables	26,207
Other current assets	3,203
Bank balances and cash	1,096
Trade and other payables	(168,248)
Income tax liabilities	(3,583)
Borrowings	(14,000)
Dividend payable	(19,376)
	419,311

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB26,207,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB26,207,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(iii) Wuhai Xishui *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	233,139
Acquisition date fair value of 45% previous held interest	188,690
Less: net assets acquired	(419,311)
Goodwill arising on acquisition	2,518

Goodwill arose in the acquisition of Wuhai Xishui 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 Wuhai Xishui. 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 Wuhai Xishui

	RMB'000
Cash consideration paid	(233,139)
Cash and cash equivalents acquired	1,096
	(232,043)

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB33,517,000 loss for the year attributable to the additional business generated by Wuhai Xishui. Turnover for the year includes approximately RMB151,191,000 generated from Wuhai Xishui.

Had the acquisition been completed on 1 January 2013, total revenue of the Group for the year would have been approximately RMB52,207,649,000 and profit for the year would have been approximately RMB1,409,196,000. 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 2013, nor is it intended to be a projection of future results.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(iii) Wuhai Xishui *(Continued)*

In determining the "pro-forma" turnover and profit of the Group had Wuhai Xishui been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, 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 preacquisition 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) Runji Cement

On 13 September 2013, the Group acquired 100% equity interests in Runji Cement from independent third parties for an aggregate cash consideration of RMB265,595,000. Runji Cement is principally engaged in the production and sale of clinker and 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	265,595

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	291,458
Prepaid lease payments	47,723
Mining rights	4,980
Other non-current assets	10,594
Deferred income tax assets	3
Inventories	18,848
Trade and other receivables	46,612
Other current assets	49
Bank balances and cash	4,948
Trade and other payables	(150,818)
Income tax liabilities	(3,470)
Dividend payable	(7,639)
Deferred income tax liabilities	(12,764)
	250,524

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(iv) Runji Cement *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB46,612,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB46,612,000 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	265,595
Less: net assets acquired	(250,524)
Goodwill arising on acquisition	15,071

Goodwill arose in the acquisition of Runji Cement 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 Runji Cement. 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 Runji Cement

	RMB'000
Cash consideration paid	(265,595)
Cash and cash equivalents acquired	4,948
	(260,647)

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) Business combinations for the year ended 31 December 2013 *(Continued)*

(iv) Runji Cement *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately RMB3,435,000 loss for the year attributable to the additional business generated by Runji Cement. Turnover for the year includes approximately RMB46,828,000 generated from Runji Cement.

Had the acquisition been completed on 1 January 2013, total revenue of the Group for the year would have been approximately RMB52,265,161,000 and profit for the year would have been approximately RMB1,472,817,000. 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 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" turnover and profit of the Group had Runji Cement been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, 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 preacquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(b) 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 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 statement of profit or loss.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(i) Pingluo Golden *(Continued)*

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 approximately RMB6,620,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB6,620,000 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	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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(i) Pingluo Golden *(Continued)*

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.

(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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(ii) Xiahe Anduo *(Continued)*

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	(160,381)
Dividend payable	(50,757)
Income tax liabilities	(4,319)
Borrowings	(80,000)
Deferred income tax liabilities	(39,078)
	300,670

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB29,703,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately 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 approximately RMB105,235,000.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(ii) Xiahe Anduo *(Continued)*

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)

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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(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 consolidated statement of profit or loss.

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 approximately RMB6,461,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB6,461,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(iii) Sinoma Science & Technology (Jiujiang) Co., Ltd. ("Jiujiang Science") *(Continued)*

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.

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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(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.

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 consolidated statement of profit or loss.

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

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) Business combinations for the year ended 31 December 2012 *(Continued)*

(iv) Sinomatech (Funing) Wind Power Blade Co., Ltd. ("Sinomatech") *(Continued)*

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB67,586,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB67,586,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

	RMB'000
Consideration transferred	191,266
Less: net assets acquired	(191,266)
	–

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.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) 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
Cash	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 statement of profit or loss.

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 approximately RMB645,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB645,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

48. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) 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.

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.

49. 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 2013.

i. On 16 July 2012, Sinoma Tianjin Mining Engineering Co., Ltd. ("Tianjin Mining"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of China Building Materials Industry Construction Tianjin Engineering Co., Ltd. ("Tianjin Engineering") at a consideration of approximately RMB33,995,000. The acquisition has been completed on 6 January 2013.

ii. On 16 July 2012, Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. ("Chengdu Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Chengdu Cement Industry Design & Research Institute Co., Ltd. ("CCDRI") at a consideration of approximately RMB55,574,000. The acquisition has been completed on 6 January 2013.

iii. On 16 July 2012, Sinoma International Engineering Co., Ltd. ("Sinoma International"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Handan Sinoma Asset Management Co., Ltd. ("Handan Sinoma") at a consideration of approximately RMB47,084,000. The acquisition has been completed on 21 February 2013.

iv. On 16 July 2012, Sinoma Equipment Group Co., Ltd. ("Equipment Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Tianjin Sinoma Asset Management Co., Ltd. ("TCDRI") at a consideration of approximately RMB132,268,000. The acquisition has been completed on 5 March 2013.

v. On 8 January 2013, Suzhou Sinoma Design and Research Institute of Nonmetallic Minerals Industry Co., Ltd. ("Suzhou Company"), a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Suzhou Design & Research Institute of Non-metallic Minerals Co., Ltd. ("SDRI") at a consideration of approximately RMB60,541,000. The acquisition has been completed on 19 March 2013.

vi. On 19 August 2013, Sinoma Science & Technology, a non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with the Sinoma Group to acquire 100% equity interest of Nanjing Fiberglass R&D Institute Co., Ltd. ("NRDI") at a consideration of approximately RMB186,107,000. The acquisition has been completed on 19 August 2013.

The parent company of Tianjin Engineering, CCDRI, Handan Sinoma, TCDRI, SDRI and NRDI (collectively named as the "Acquired Subsidiaries") 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.

49. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

Statements of adjustments for the business combinations under common control occurred during the year ended 31 December 2013 on the Group's financial position as at 31 December 2013 and 2012 and 1 January 2012 and the results for the year ended 31 December 2013 and 2012 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 2013				
Turnover	49,540,186	2,541,130	–	52,081,316
Cost of sales	(39,706,191)	(2,362,998)	–	(42,069,189)
Gross profit	9,833,995	178,132	–	10,012,127
Interest income	121,739	17,509	–	139,248
Other gains	1,344,743	47,092	–	1,391,835
Selling and marketing expenses	(1,813,310)	(9,250)	–	(1,822,560)
Administrative expenses	(5,291,120)	(159,245)	–	(5,450,365)
Exchange loss	(85,263)	–	–	(85,263)
Other expenses	(51,895)	(1,422)	–	(53,317)
Finance costs	(1,947,612)	(14,334)	–	(1,961,946)
Share of results of associates	66,353	–	–	66,353
Share of results of joint ventures	(27,269)	–	–	(27,269)
Profit before tax	2,150,361	58,482	–	2,208,843
Income tax expense	(730,951)	(12,481)	–	(743,432)
Profit for the year	1,419,410	46,001	–	1,465,411
Profit for the year attributable to:				
Owners of the Company	350,413	47,099	–	397,512
Non-controlling interests	1,068,997	(1,098)	–	1,067,899
	1,419,410	46,001	–	1,465,411

49. 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 2013				
Non-current assets				
Property, plant and equipment	45,015,406	194,780	–	45,210,186
Prepaid lease payments	3,853,959	–	–	3,853,959
Investment properties	170,070	5,934	–	176,004
Intangible assets	696,736	25,108	–	721,844
Mining rights	512,945	–	–	512,945
Investments in the Acquired Subsidiaries	515,569	–	(515,569)	–
Interests in associates	858,873	4,845	–	863,718
Interests in joint ventures	134,238	–	–	134,238
Available-for-sale financial assets	2,022,555	–	–	2,022,555
Deposit paid for acquisition of subsidiaries	–	–	–	–
Trade and other receivables	87,611	–	–	87,611
Other non-current assets	220,328	–	–	220,328
Deferred income tax assets	820,342	11,855	–	832,197
	54,908,632	242,522	(515,569)	54,635,585
Current assets				
Inventories	8,270,129	503,151	–	8,773,280
Trade and other receivables	20,211,355	1,382,689	–	21,594,044
Amounts due from customers for contract work	599,010	–	–	599,010
Prepaid lease payments	131,052	–	–	131,052
Derivative financial instruments	21,169	–	–	21,169
Other current assets	107,875	–	–	107,875
Restricted bank balances	1,379,963	–	–	1,379,963
Bank balances and cash	6,542,599	727,456	–	7,270,055
	37,263,152	2,613,296	–	39,876,448
Assets classified as held for sale	–	–	–	–
	37,263,152	2,613,296	–	39,876,448

49. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *(Note i)* *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
As at 31 December 2013				
Current liabilities				
Trade and other payables	26,586,551	1,866,587	–	28,453,138
Dividend payable	8,117	–	–	8,117
Amounts due to customers for contract work	343,066	–	–	343,066
Derivative financial instruments	–	–	–	–
Income tax liabilities	419,217	6,973	–	426,190
Short-term financing bills	2,900,000	–	–	2,900,000
Borrowings	15,952,976	304,845	–	16,257,821
Early retirement and supplemental benefit obligations	50,897	–	–	50,897
Provisions	25,060	–	–	25,060
	46,285,884	2,178,405	–	48,464,289
Liabilities classified as held for sale	–	–	–	–
	46,285,884	2,178,405	–	48,464,289
Net current (liabilities) assets	(9,022,732)	434,891	–	(8,587,841)
Total assets less current liabilities	45,885,900	677,413	(515,569)	46,047,744
Non-current liabilities				
Trade and other payables	4,034	–	–	4,034
Derivative financial instruments	–	–	–	–
Corporate bonds	2,492,782	–	–	2,492,782
Medium-term notes	5,755,339	–	–	5,755,339
Borrowings	7,931,426	–	–	7,931,426
Provisions	56,460	–	–	56,460
Deferred income	764,333	–	–	764,333
Early retirement and supplemental benefit obligations	266,371	–	–	266,371
Deferred income tax liabilities	590,620	18,222	–	608,842
	17,861,365	18,222	–	17,879,587
NET ASSETS	28,024,535	659,191	(515,569)	28,168,157

49. 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 2013				
Capital and reserves				
Share capital	3,571,464	154,999	(154,999)	3,571,464
Reserves	6,971,338	501,864	360,570	7,833,772
Equity attributable to owners of the Company	10,542,802	656,863	205,571	11,405,236
Non-controlling interests	16,760,593	2,328	–	16,762,921
TOTAL EQUITY	27,303,395	659,191	205,571	28,168,157

49. BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
For the year ended 31 December 2012				
Turnover	46,106,771	80,300	–	46,187,071
Cost of sales	(37,788,059)	(40,986)	–	(37,829,045)
Gross profit	8,318,712	39,314	–	8,358,026
Interest income	169,353	735	–	170,088
Other gains	1,367,117	85,441	–	1,452,558
Selling and marketing expenses	(1,549,819)	(3,823)	–	(1,553,642)
Administrative expenses	(4,507,015)	(144,277)	–	(4,651,292)
Exchange gain	1,687	–	–	1,687
Other expenses	(29,895)	(1,912)	–	(31,807)
Finance costs	(1,683,462)	(51)	–	(1,683,513)
Share of results of associates	7,365	–	–	7,365
Share of results of joint ventures	(10,674)	–	–	(10,674)
Profit before tax	2,083,369	(24,573)	–	2,058,796
Income tax expense	(513,565)	609	–	(512,956)
Profit for the year	1,569,804	(23,964)	–	1,545,840
Profit for the year attributable to:				
Owners of the Company	475,876	(23,583)	–	452,293
Non-controlling interests	1,093,928	(381)	–	1,093,547
	1,569,804	(23,964)	–	1,545,840

49. 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 2012				
Non-current assets				
Property, plant and equipment	41,122,600	163,446	–	41,286,046
Prepaid lease payments	3,422,727	8,709	–	3,431,436
Investment properties	173,315	–	–	173,315
Intangible assets	738,371	–	–	738,371
Mining rights	483,087	–	–	483,087
Interests in associates	1,393,906	–	–	1,393,906
Interest in joint ventures	162,496	–	–	162,496
Available-for-sale financial assets	2,282,625	5,695	–	2,288,320
Trade and other receivables	84,132	–	–	84,132
Other non-current assets	252,728	–	–	252,728
Deferred income tax assets	700,257	4,180	–	704,437
	50,816,244	182,030	–	50,998,274
Current assets				
Inventories	8,378,135	15,211	–	8,393,346
Trade and other receivables	16,601,578	46,200	–	16,647,778
Amounts due from customers for contract work	562,674	–	–	562,674
Prepaid lease payments	118,871	157	–	119,028
Derivative financial instruments	4,708	–	–	4,708
Other current assets	69,542	–	–	69,542
Restricted bank balances	1,969,306	4,783	–	1,974,089
Bank balances and cash	9,175,050	60,217	–	9,235,267
	36,879,864	126,568	–	37,006,432
Assets classified as held for sale	–	–	–	–
	36,879,864	126,568	–	37,006,432

49. 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 31 December 2012				
Current liabilities				
Trade and other payables	24,914,442	68,652	–	24,983,094
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	432,616	519	–	433,135
Short-term financing bills	400,000	–	–	400,000
Borrowings	15,749,447	–	–	15,749,447
Early retirement and supplemental benefit obligations	49,114	–	–	49,114
Provisions	48,724	–	–	48,724
	41,895,584	69,171	–	41,964,755
Liabilities classified as held for sale	–	–	–	–
	41,895,584	69,171	–	41,964,755
Net current (liabilities) assets	(5,015,720)	57,397	–	(4,958,323)
Total assets less current liabilities	45,800,524	239,427	–	46,039,951
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	688,903	–	–	688,903
Early retirement and supplemental benefit obligations	285,752	–	–	282,752
Deferred income tax liabilities	678,096	19,103	–	697,199
	18,723,632	19,103	–	18,742,735
NET ASSETS	27,076,892	220,324	–	27,297,216

49. 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 2012				
Capital and reserves				
Share capital	3,571,464	124,184	(124,184)	3,571,464
Reserves	7,688,926	93,198	124,184	7,906,308
Equity attributable to owners of the Company	11,260,390	217,382	–	11,477,772
Non-controlling interests	15,816,502	2,942	–	15,819,444
TOTAL EQUITY	27,076,892	220,324	–	27,297,216

49. 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 2012				
Non-current assets				
Property, plant and equipment	34,040,736	170,513	–	34,211,249
Prepaid lease payments	3,144,591	8,866	–	3,153,457
Investment properties	184,564	–	–	184,564
Intangible assets	501,651	–	–	501,651
Mining rights	477,166	–	–	477,166
Interests in associates	1,266,810	–	–	1,266,810
Interest in joint ventures	174,970	–	–	174,970
Available-for-sale financial assets	2,346,251	5,695	–	2,351,946
Deposits paid for acquired of subsidiaries	101,400	–	–	101,400
Trade and other receivables	75,846	–	–	75,846
Other non-current assets	237,789	193	–	237,982
Deferred income tax assets	592,023	1,943	–	593,966
	43,143,797	187,210	–	43,331,007
Current assets				
Inventories	8,116,042	15,606	–	8,131,648
Trade and other receivables	15,603,842	60,518	–	15,664,360
Amounts due from customers for contract work	341,073	–	–	341,073
Prepaid lease payments	100,391	157	–	100,548
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	10,171,131	120,168	–	10,291,299
	36,289,867	196,449	–	36,486,316
Assets classified as held for sale	117,426	–	–	117,426
	36,407,293	196,449	–	36,603,742

49. 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 2012				
Current liabilities				
Trade and other payables	22,698,112	117,782	–	22,815,894
Dividend payable	2,498	733	–	3,231
Amounts due to customers for contract work	131,295	–	–	131,295
Derivative financial instruments	138	–	–	138
Income tax liabilities	604,237	2,301	–	606,538
Short-term financing bills	800,000	–	–	800,000
Borrowings	13,466,246	–	–	13,466,246
Early retirement and supplemental benefit obligations	44,525	–	–	44,525
Provisions	41,398	–	–	41,398
	37,788,449	120,816	–	37,909,265
Liabilities classified as held for sale	12,038	–	–	12,038
	37,800,487	120,816	–	37,921,303
Net current (liabilities) assets	(1,393,194)	75,633	–	(1,317,561)
Total assets less current liabilities	41,750,603	262,843	–	42,013,446
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	297,813	–	–	297,813
Deferred income tax liabilities	689,303	18,555	–	707,858
	17,964,869	18,555	–	17,983,424
NET ASSETS	23,785,734	244,288	–	24,030,022

49. 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 2012				
Capital and reserves				
Share capital	3,571,464	124,184	(124,184)	3,571,464
Reserves	7,409,096	116,781	124,184	7,650,061
Equity attributable to owners of the Company	10,980,560	240,965	–	11,221,525
Non-controlling interests	12,805,174	3,323	–	12,808,497
TOTAL EQUITY	23,785,734	244,288	–	24,030,022

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 RMB515,569,000 in aggregate and the aggregate paid-in capital of the Acquired Subsidiaries at the date of combination were approximately RMB154,999,000.

(ii) The adjustment represents elimination of the paid-in capital of the Acquired Subsidiaries as at 31 December 2012 and 1 January 2012 with a corresponding entry to capital reserve. The difference of approximately RMB360,570,000 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 2013 and 2012:

Basic and diluted earnings per share	**2013**	2012
	RMB	*RMB*
Reported figures before adjustments	**0.098**	0.134
Adjustments arising on common control combination	**0.013**	(0.007)
Restated figures after adjustments	**0.111**	0.127

49. 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 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.

The financial information for the business combinations under common control occurred during the year ended 31 December 2012 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.

50. DISPOSAL OF SUBSIDIARIES

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)

50. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

50. DISPOSAL OF SUBSIDIARIES *(Continued)*

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.

50. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2012 *(Continued)*

(ii) Taian Electric *(Continued)*

Note:

As at 31 December 2012, the directors of the Company determined that the recoverability of other receivables regarding the consideration has uncertainty and impairment provision of RMB69,500,000. For the year ended 31 December 2013, the Company has entered into settlement agreement with the buyer and received partial settlement of RMB50,000,000, the directors of the Company have reassessed the recoverability of the remaining other receivables and reversal of provision of RMB25,000,000 was provided in note 32 (g).

51. CONTINGENT LIABILITIES

	2013	2012
	RMB'000	*RMB'000*
Outstanding guarantees *(Note a)*	–	30,000

Notes:

(a) The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain independent third parties. At 31 December 2012, outstanding guarantees amounted to RMB30,000,000 have been utilised by other state-owned enterprises and independent third parties. No outstanding guarantees were noted 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:

	2013	2012
	RMB'000	*RMB'000*
Within one year	–	30,000

52. COMMITMENTS

(a) Capital commitments

	2013	2012
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**703,023**	924,848
– Prepaid lease payments	**2,077**	4,265
	705,100	929,113

(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:

	2013	2012
	RMB'000	*RMB'000*
Within one year	**2,750**	1,041
In the second to fifth year inclusive	**6,784**	6,394
After five years	**40,463**	42,110
	49,997	49,545

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.

52. COMMITMENTS

(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 22% (2012: 21%) 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:

	2013	2012
	RMB'000	*RMB'000*
Within one year	**9,680**	7,431
In the second to fifth year inclusive	**8,556**	9,802
After five years	**8,811**	8,658
	27,047	25,891

53. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2013, the Group has acquired property, plant and equipment amounting to approximately RMB2,712,305,000 which has been settled by bills receivables.

(b) During the year ended 31 December 2013, the Group has acquired property, plant and equipment amounting to approximately RMB1,004,744,000 which has been included in other payables as at 31 December 2013.

(c) 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.

(d) 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.

54. 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 2013 and 2012 and balances as at 31 December 2013, 31 December 2012 and 1 January 2012 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 2013 and 2012.

(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 2013 and 2012. 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 2013 and 2012, 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.

54. 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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Transactions with joint ventures		
Revenue		
– Sales of goods or provision of services	**17,235**	26,486
– Interest income *(Note)*	**–**	2,198
Expenses		
– Purchases of goods or services	**7,088**	10,563
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**891**	–
Expenses		
– Purchases of goods or services	**50,290**	36,895
Transactions with non-controlling interests		
Revenue		
– Sales of goods or provision of services	**96,881**	4,193
Expenses		
– Purchases of goods or services	**24,078**	8,750
– Rental expenses	**2,000**	1,640
Transactions with joint venture partners of joint ventures		
Revenue		
– Sales of goods or provision of services	**–**	53,057
Expenses		
– Purchases of goods or services	**–**	11,125

Note: The interest income was included in the interest income on loan receivables in Note 10.

54. 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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Trade and other receivables		
Trade receivables due from		
– Joint ventures	**7,319**	19,374
– Associates	**265**	–
– Non-controlling interests	**29,072**	20,107
– Joint venture partners of joint ventures	**–**	9,460
– Less: Impairment loss recognised	**(2,566)**	(18,252)
	34,090	30,689
Loan receivables due from		
– Joint ventures	**57**	30,000
Other receivables due from		
– Associates	**4,116**	11,473
– Non-controlling interests	**–**	67,500
– Less: Impairment loss recognised	**(427)**	(2,466)
	3,689	76,507
	37,836	137,196

54. RELATED PARTY DISCLOSURES *(Continued)*

(ii) Significant transactions and balances with related parties other than state-owned enterprises *(Continued)*

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Trade and other payables		
Trade payables due to		
– Jointly controlled entities	**6,498**	6,177
– Associates	**–**	19,289
– Non-controlling interests	**17,551**	6,422
– Joint venture partners	**–**	2,010
	24,049	33,898
Other payables due to		
– Non-controlling interests	**30,086**	29,992
– Joint venture partners	**–**	4,000
	30,086	33,992
	54,135	67,890

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.

54. 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:

	2013	2012
	RMB'000	*RMB'000*
Short-term benefits	**6,969**	14,528
Post employment benefits	**477**	419
Cash-settled share-based payments	**(172)**	(420)
	7,274	14,527

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

55. CHARGE OF ASSETS

The carrying values of Group's assets that are pledged to secure bank borrowings are as follows:

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Property, plant and equipment	**1,079,590**	3,305,167
Prepaid lease payments	**49,330**	170,382

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

As at 31 December 2013 and 2012, 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 *RMB'000*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
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	42.46% *(Note (i) (1))*	–	Construction and engineering services; The PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology (中材科技股份有限公司)	The PRC 28 December 2001 Joint stock company	400,000	54.32% *(Note (i) (2))*	–	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	35.49% (2012: 35.39%) *(Note (i) (3))*	–	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	47.54% (2012: 47.57%) *(Note (i) (4))*	–	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	13.24% *(Note (i) (5))*	13.22%	Cement Operations; The PRC

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital RMB'000	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
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	–	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 Group Co. Ltd. (中材裝備集團有限公司)	The PRC 13 December 2006 Limited liability company	145,000	–	100%	Construction and engineering services; The PRC, Africa and other Asian countries
Sinoma Equipment & Engineering Corp Ltd. (中國中材東方國際貿易有限公司)	The PRC 3 June 1988 Limited liability company	50,000	–	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
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

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
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	–	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	–	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	–	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	–	100%	Construction and engineering services; The PRC
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	The PRC 17 November 2003 Limited liability company	28,500	–	100%	Manufacture of environmentally-friendly equipment; The PRC

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital RMB'000	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Sinoma Cement (中材水泥有限責任公司)	The PRC 20 November 2003 Limited liability company	1,823,140	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	–	91.83%	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%	Cement operations; The PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	The PRC 16 January 1996 Limited liability company	35,526	–	74.63%	Cement operations; The PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	The PRC 28 January 2003 Limited liability company	24,253	–	60%	Cement operations; The PRC
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	The PRC 25 April 2001 Limited liability company	443,325	–	100%	Cement operations; The PRC
Xinjiang Tunhe Cement Co., Ltd. (新疆屯河水泥有限責任公司)	The PRC 16 October 2000 Limited liability company	517,426	–	51%	Cement operations; The PRC

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of 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)*					
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	–	66.01%	Cement operations; The PRC
Suzhou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	The PRC 26 July 2002 Limited liability company	4,000	–	75%	Cement operations; The PRC
Sinoma Advanced Materials Co. Ltd. (中材高新材料股份有限公司)	The PRC 25 December 2000 Joint stock company	107,591	99.46%	–	High-tech materials operations; The PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	The PRC 30 April 2007 Limited liability company	100,000	–	64%	Manufacture of new materials; The PRC
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體研究院有限公司)	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

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
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	–	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
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	–	64.56%	Cement operations; The PRC

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital RMB'000	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
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
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	–	85.46%	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

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Sinomatech (Funing) Wind Power Blade Co., Ltd. (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
Energy and Infrastructure Limited (能源和基建有限公司)	Saudi Arabia 3 February 2013 Limited liability company	31,848 *(Note (ii))*	–	51%	Construction and engineering services; Saudi Arabia
Sinoma International Engineering (HK) Co., Limited (中材國際工程股份(香港)有限公司)	Hong Kong 22 January 2013 Limited liability company	158,052 *(Note (ii))*	–	100%	Investment in construction project, The PRC
Nanjing National Materials Testing Technology Co., Ltd. (南京中材檢測技術有限公司)	The PRC 1 January 2013 Limited liability company	500 *(Note (ii))*	–	100%	Inspection service, The PRC
中材江西電瓷電氣有限公司	The PRC 22 March 2013 Limited liability company	100,000 *(Note (ii))*	–	70%	Sales of insulators for high voltage power transmission

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.

(i) As at 31 December 2013 and 2012, the Group's shares in companies listed in the PRC comprise:

(1) 42.46% (2012: 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 2013 is approximately RMB3,853,384,718 (2012: RMB5,719,723,000 for 464,263,219 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Sinoma International on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. There are another three shareholders individually holding more than 1% with aggregation of ownership interests of 22.25%. The remaining 35.29% ownership interests in Sinoma International are owned by thousands of shareholders that are unrelated to the Group.

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

(i) As at 31 December 2013 and 2012, the Group's shares in companies listed in the PRC comprise: *(Continued)*

(2) 54.32% (2012: 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. The market value of the 217,298,286 tradable shares as at 31 December 2013 is approximately RMB2,679,287,866 (2012: RMB1,690,581,000 for 217,298,286 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Sinoma Science & Technology on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. There are another five shareholders individually holding more than 1% with aggregation of ownership interests of 16.84%. The remaining 28.84% ownership interests in Sinoma Science & Technology are owned by thousands of shareholders that are unrelated to the Group.

(3) 35.49% (2012: 35.39%) 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 312,382,428 A shares. The market value of the 312,382,428 tradable shares as at 31 December 2013 is approximately RMB1,899,285,162 (2012: RMB1,630,050,000 for 89,955,021 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Tianshan Cement on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. The remaining 64.51% ownership interests in Tianshan Cement are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

(4) 47.54% (2012: 47.57%) 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 227,413,290 (2012: 227,551,086) A shares which will be tradable since 21 December 2014. The market value of the 227,413,290 tradable shares as at 31 December 2013 is approximately RMB1,771,549,529 (2012: RMB2,082,092,000 for 227,551,086 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Ningxia Building Materials on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. The remaining 52.46% ownership interests in Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

(i) As at 31 December 2013 and 2012, the Group's shares in companies listed in the PRC comprise: *(Continued)*

(5) 19.98% (2012: 19.98%) 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 205,376,739 (2012: 157,982,107) A shares. The market value of these shares as at 31 December 2013 is approximately RMB1,373,972,130 (2012: RMB1,674,610,000).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Qilianshan Co., on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. The remaining 80.02% ownership interests in Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

(ii) Those subsidiaries were incorporated during the year.

(iii) The operations of the principal subsidiaries are principally located in the PRC, Middle East and other Asian countries.

Except for Sinoma International, Sinoma Science & Technology, Tianshan Cement, Ningxia Building Materials, Qilianshan Co. which are listed companies in the PRC, all subsidiaries, joint ventures and associates have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries 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 43, none of the subsidiaries had issued debt securities at the end of the reporting period.

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		31 December 2013	31 December 2012
Investment holdings	The PRC	**3**	3
Investment holdings	India	**1**	1
Construction and engineering services	The PRC	**32**	30
Construction and engineering services	Malaysia	**1**	1
Manufacture of cement equipment	The PRC	**10**	9
Cement operations	The PRC	**107**	102
Glass fiber operations	The PRC	**5**	5
High-tech materials operations	The PRC	**24**	23
Production and sale of non-metallic crystal	The PRC	**2**	2
Publication service	The PRC	**3**	3
Mining, gas supply and inspection	The PRC	**9**	9
Sales of wind power blade	The PRC	**4**	4
Property management	The PRC	**10**	8

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ registration	Paid up issued/ ordinary share capital	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		RMB'000	**2013**	2012	**2013**	2012	**2013**	2012
Sinoma International	The PRC	1,093,297	**57.54%**	57.54%	**19,863**	433,234	**2,606,463**	2,801,932
Sinoma Science & Technology	The PRC	400,000	**45.68%**	45.68%	**63,269**	70,695	**1,352,222**	1,419,439
Tianshan Cement	The PRC	880,101	**64.51%**	64.61%	**296,339**	376,373	**5,716,136**	5,464,469
Ningxia Building Materials	The PRC	478,318	**52.46%**	52.43%	**230,473**	68,936	**2,556,338**	2,338,764
Qilianshan Holdings	The PRC	352,679	**49.00%**	49.00%	**492,811**	153,827	**4,604,428**	3,992,216
Sinoma Jinjing Fiber Glass	The PRC	203,957	**49.99%**	49.99%	**(5,680)**	(1,474)	**143,608**	149,119

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

The summarised financial information in respect of the Group's subsidiaries that have non-controlling interests that are material to the Group for the year ended 31 December 2013, before intragroup eliminations:

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Holdings *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
As at 31 December 2013						
Current assets	20,434,257	3,694,977	4,477,971	2,396,870	2,522,595	132,785
Non-current assets	3,263,950	2,797,802	17,182,309	5,603,138	8,863,444	307,769
Current liabilities	(17,855,933)	(3,233,854)	(8,745,224)	(2,445,108)	(4,363,553)	(150,364)
Non-current liabilities	(1,421,980)	(655,969)	(4,739,613)	(1,063,110)	(2,154,689)	(2,917)
Equity attributable to owners of the Company	1,813,831	1,250,734	2,459,307	1,935,452	263,369	143,665
Non-controlling interests	2,606,463	1,352,222	5,716,136	2,556,338	4,604,428	143,608
For the year ended 31 December 2013						
Revenue	20,881,516	3,592,918	8,318,113	4,444,554	6,127,680	171,438
Expenses	20,809,703	3,471,011	7,936,303	4,069,948	5,610,899	182,802
Profit (loss) for attributable to owners of the Company	38,101	58,638	99,163	142,033	22,088	(5,684)
Profit (loss) for attributable to the non-controlling interests	33,712	63,269	282,647	232,573	494,693	(5,680)
Profit (loss) for the year	71,813	121,907	381,810	374,606	516,781	(11,364)
Other comprehensive income (expenses) attributable to owners of the Company	(15,652)	–	4,804	(1,283)	(84)	–
Other comprehensive income (expenses) attributable to the non-controlling interests	(13,849)	–	13,692	(2,100)	(1,882)	–
Other comprehensive income (expenses) for the year	(29,501)	–	18,496	(3,383)	(1,966)	–
Total comprehensive income (expenses) attributable to owners of the Company	22,449	58,638	103,967	140,750	22,004	(5,684)
Total comprehensive income (expenses) attributable to the non-controlling interests	19,863	63,269	296,339	230,473	492,811	(5,680)
Total comprehensive income (expenses) for the year	42,312	121,907	400,306	371,223	514,815	(11,364)

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Holdings *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
Dividends paid to non-controlling interests	10,337	3,733	42,968	4,006	63,089	–
Net cash inflow (outflow) from operating activities	(182,514)	252,818	211,845	577,656	957,563	1,106
Net cash outflow from investing activities	(675,916)	(762,964)	(1,236,340)	(276,297)	(647,876)	(16,533)
Net cash inflow (outflow) from financing activities	701,800	308,932	1,111,157	(689,776)	(682,486)	67
Effect of changes in exchange rate	(18,901)	(1,928)	–	–	–	(712)
Net cash inflow (outflow)	(175,531)	(203,142)	86,662	(388,417)	(372,799)	(16,072)

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

The summarised financial information in respect of the Group's subsidiaries that have non-controlling interests that are material to the Group for the year ended 31 December 2012, before intragroup eliminations:

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Holdings *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
As at 31 December 2012						
Current assets	18,784,741	3,406,573	3,829,857	2,485,737	2,596,836	250,474
Non-current assets	2,741,491	2,489,931	15,664,244	5,215,760	8,104,838	373,526
Current liabilities	(16,005,747)	(2,781,971)	(7,056,071)	(1,950,438)	(4,198,634)	(321,984)
Non-current liabilities	(729,989)	(354,185)	(4,596,858)	(1,607,036)	(2,284,453)	(3,750)
Equity attributable to owners of the Company	1,988,564	1,340,909	2,376,703	1,805,259	226,371	149,147
Non-controlling interests	2,801,932	1,419,439	5,464,469	2,338,764	3,992,216	149,119
For the year ended 31 December 2012						
Revenue	21,349,128	3,045,735	8,074,731	3,343,613	4,458,045	314,731
Expenses	20,599,418	2,906,103	7,619,993	3,245,662	4,290,968	317,679
Profit (loss) for attributable to owners of the Company	317,376	68,937	104,726	28,397	12,185	(1,472)
Profit (loss) for attributable to the non-controlling interests	432,334	70,695	350,012	69,554	154,892	(1,476)
Profit (loss) for the year	749,710	139,632	454,738	97,951	167,077	(2,948)
Other comprehensive income (expenses) attributable to owners of the Company	661	–	7,887	(252)	(84)	3
Other comprehensive income (expenses) attributable to the non-controlling interests	900	–	26,361	(618)	(1,065)	3
Other comprehensive income (expenses) for the year	1,561	–	34,248	(870)	(1,149)	6
Total comprehensive income (expenses) attributable to owners of the Company	318,037	68,937	112,613	28,145	12,101	(1,469)
Total comprehensive income (expenses) attributable to the non-controlling interests	433,234	70,695	376,373	68,936	153,827	(1,473)
Total comprehensive income (expenses) for the year	751,271	139,632	488,986	97,081	165,928	(2,942)

56. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Holdings *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
Dividends paid to non-controlling interest	9,158	11,979	7,214	5,982	30,885	–
Net cash inflow from operating activities	1,129,732	95,515	328,565	118,683	668,842	11,157
Net cash outflow from investing activities	(433,345)	(495,503)	(2,941,521)	(216,862)	(1,126,759)	(12,298)
Net cash (outflow) inflow from financing activities	(267,956)	174,348	1,916,469	(248,876)	424,366	6,497
Effect of changes in exchange rate	(16,243)	2,237	–	–	–	(143)
Net cash inflow (outflow)	412,188	(223,403)	(696,487)	(347,055)	(33,551)	5,213

57. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**6,237**	5,710
Intangible assets		**6,289**	3,431
Investments in subsidiaries		**11,473,185**	11,412,089
Investment in an associate		**904,700**	904,700
Available-for-sale financial assets		**1,635,064**	1,945,271
Deferred income tax assets		**15,798**	10,161
		14,041,273	14,281,362
Current assets			
Other receivables		**1,914,141**	1,154,144
Bank balances and cash		**24,489**	109,726
		1,938,630	1,263,870
Current liabilities			
Other payables		**170,756**	136,966
Dividend payables		**8,117**	7,936
Income tax liabilities		**1,522**	1,005
Short-term financing bills		**1,000,000**	–
Borrowings		**750,000**	1,070,000
Early retirement and supplemental benefit obligations		**6,735**	4,425
		1,937,130	1,220,332
Net current assets		**1,500**	43,538
Total assets less current liabilities		**14,042,773**	14,324,900
Non-current liabilities			
Corporate bonds		**2,492,782**	2,490,239
Medium-term notes		**1,700,000**	1,700,000
Borrowings		**400,000**	300,000
Early retirement and supplemental benefit obligations		**47,618**	35,526
Deferred income tax liabilities		**307,156**	384,707
		4,947,556	4,910,472
NET ASSETS		**9,095,217**	9,414,428
Capital and reserves			
Share capital		**3,571,464**	3,571,464
Reserves	*(a)*	**5,523,753**	5,842,964
TOTAL EQUITY		**9,095,217**	9,414,428

57. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are:

	Share premium	Capital reserve	Statutory surplus reserve	Investment revaluation reserve	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Note b (i))	*RMB'000*	*RMB'000*
At 1 January 2012, as originally reported	3,273,160	(546,272)	75,828	1,209,762	1,495,737	112,743	5,620,958
Effect of changes in accounting policies	–	–	–	–	569	–	569
At 1 January 2012, as restated	3,273,160	(546,272)	75,828	1,209,762	1,496,306	112,743	5,621,527
Profit for the year	–	–	–	–	–	458,620	458,620
Other comprehensive income (expenses) for the year							
Actuarial loss on defined benefit obligations	–	–	–	–	(12,042)	–	(12,042)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	3,010	–	3,010
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)	(9,032)	458,620	395,013
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, as restated	3,273,160	(546,272)	121,630	1,155,187	1,527,986	311,273	5,842,964

57. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are: *(Continued)*

	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 2013, as restated	3,273,160	(546,272)	121,630	1,155,187	1,527,986	311,273	5,842,964
Profit for the year	–	–	–	–	–	15,720	15,720
Other comprehensive income (expenses) for the year	–	–	–	–	–	–	–
Actuarial loss on defined benefit obligations	–	–	–	–	(19,724)	–	(19,724)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	4,932	–	4,932
Fair value changes of available-for-sale financial assets	–	–	–	(310,207)	–	–	(310,207)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	77,552	–	–	77,552
Total comprehensive (expenses) income for the year	–	–	–	(232,655)	(14,792)	15,720	(231,727)
Dividend recognised as distribution	–	–	–	–	–	(107,144)	(107,144)
Government contributions	–	–	–	–	19,660	–	19,660
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	5,814	–	–	(5,814)	–
At 31 December 2013	3,273,160	(546,272)	127,444	922,532	1,532,854	214,035	5,523,753

(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 2013, national funds amount to RMB19,660,000 (2012: RMB40,712,000) 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.

57. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) The reserves of the Company *(Continued)*

(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 2013, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB5,814,000 (2012: RMB45,802,000), 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 2013 has incorporated a profit of approximately RMB15,720,000 (2012: profit of approximately RMB458,620,000) arising from the financial statements of the Company.

"Articles of Association" or "Articles"	The articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"Beijing CMST"	Beijing CMST Logistics Co., Ltd. (北京中儲物流有限責任公司), a limited liability company incorporated under the laws of the PRC
"BBMG Corporation"	BBMG Corporation
"Board"	the board of Directors of the Company
"CBMI Constructon"	CBMI Construction Co., Ltd. (中材建設有限公司), a wholly-owned subsidiary of Sinoma International
"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
"Cosco Supply Chain"	Cosco Supply Chain Management Co., Ltd. (中遠供應鏈管理有限公司), a limited liability company incorporated 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 share capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H 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
"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
"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
"NRDI"	Nanjing Fiberglass R&D Institute Co., Ltd. (南京玻璃纖維研究設計院有限公司), a limited liability company established under the laws of the PRC
"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
"Runji Cement"	Longnan Runji Cement Co., Ltd. (隴南市潤基水泥有限責任公司)
"SDRI"	Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. (蘇州非金屬礦工業設計研究院有限公司), a limited liability company established under the laws of the PRC
"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 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 Finance"	Sinoma Group Finance Co., Ltd.(中材集團財務有限公司), a limited liability company incorporated under the laws of the PRC
"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
"Tianjin Company"	Beijing Tianjin Petroleum Sales Co., Ltd. (北京天金石油銷售有限公司)
"Tianlianhai Company"	Beijing Tianlianhai Chemical Co., Ltd. (北京天連海化工有限責任公司)
"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
"SK"	Schmidt, Kranz & Co. Gesellschaft mit beschränkter Haftung
"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
"Suzhou Company"	Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. (蘇州中材非金屬礦工業設計研究院有限公司), a limited liability company established under the laws of the PRC
"Taishan Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company

"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"WXC"	Wuhai Xishui Cement Co., Ltd. (烏海市西水水泥有限責任公司)
"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
"XSGF"	Xishui Strong Year Co., Ltd. Inner Mongolia (內蒙古西水創業股份有限公司)
"Zhongke Hongsheng"	Beijing Zhongke Hongsheng Technology and Trade Co., Ltd.
"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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