CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2014 Annual Report 年度報告

* For identification only

Financial and Business Highlights

	As at 31 December		
	2014	2013	Growth rate
		(RMB in millions)	
Bank balances and cash	**10,291**	8,980	14.6%
Total assets	**316,482**	291,631	8.5%
Equity attributable to equity holders	**40,573**	35,378	14.7%
Earnings per share-basic *(RMB)*	**1.10**	1.07	2.8%

	For the year ended 31 December		
	2014	2013	Growth rate
		(RMB in millions)	
Revenue	**122,011**	117,688	3.7%
Profit after taxation	**8,672**	8,312	4.3%
Profit attributable to equity holders of the Company	**5,920**	5,762	2.8%
Net cash flows from operating activities	**15,169**	11,656	30.1%
Sales volume of cement and clinker *(in thousand tonnes)*	**291,194**	285,104	2.1%
— China United	**67,794**	67,102	1.0%
— South Cement	**116,749**	118,579	–1.5%
— North Cement	**22,753**	21,219	7.2%
— Southwest Cement	**82,162**	76,184	7.8%
Commercial concrete sales volume *(in thousand m^3)*	**87,054**	87,079	–0.03%
— China United	**35,193**	33,140	6.2%
— South Cement	**46,385**	49,412	–6.1%
— North Cement	**2,180**	1,378	58.2%
— Southwest Cement	**1,253**	1,204	4.0%
Gypsum board *(in million m^2)*	**1,437**	1,230	16.8%
Revenue from engineering service *(RMB in millions)*	**7,628**	6,760	12.8%
Rotor blade *(in blade)*	**4,564**	3,241	40.8%
Glass fibre yarn *(in thousand tonnes)*	**1,021**	822	24.2%

Selling price			
Cement sold by China United *(RMB per tonne)*	**257.3**	253.1	1.7%
Clinker sold by China United *(RMB per tonne)*	**230.4**	226.4	1.8%
Commercial concrete sold by China United *(RMB per m^3)*	**313.2**	306.0	2.4%
Cement sold by South Cement *(RMB per tonne)*	**249.5**	250.3	–0.3%
Clinker sold by South Cement *(RMB per tonne)*	**217.4**	220.4	–1.4%
Commercial concrete sold by South Cement *(RMB per m^3)*	**341.5**	315.5	8.2%
Cement sold by North Cement *(RMB per tonne)*	**322.1**	347.0	–7.2%
Clinker sold by North Cement *(RMB per tonne)*	**258.0**	275.4	–6.3%
Commercial concrete sold by North Cement *(RMB per m^3)*	**360.9**	385.2	–6.3%
Cement sold by Southwest Cement *(RMB per tonne)*	**254.2**	256.0	–0.7%
Clinker sold by Southwest Cement *(RMB per tonne)*	**229.8**	240.9	–4.6%
Commercial concrete sold by Southwest Cement *(RMB per m^3)*	**285.4**	275.6	3.6%
Gypsum board			
— BNBM *(RMB per m^2)*	**6.65**	6.93	–4.0%
— Taishan Gypsum *(RMB per m^2)*	**4.58**	4.80	–4.6%
Rotor blade *(RMB per blade)*	**383,700**	396,100	–3.1%

Contents

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

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

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

Corporate Profile

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. As at 31 December 2014, the Company has a total issued share capital of 5,399,026,262 Shares.

The Group is mainly engaged in cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2014), the Group is:

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

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Guo Chaomin
Huang Anzhong
Tao Zheng

Independent Non-executive Directors

Shin Fang
Tang Yunwei
Zhao Lihua
Wu Liansheng
Sun Yanjun

STRATEGIC STEERING COMMITTEE:

Song Zhiping *(Chairman)*
Sun Yanjun
Cao Jianglin

NOMINATION COMMITTEE:

Tang Yunwei *(Chairman)*
Zhao Lihua
Song Zhiping

REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE:

Shin Fang *(Chairman)*
Zhao Lihua
Song Zhiping

AUDIT COMMITTEE:

Wu Liansheng *(Chairman)*
Tang Yunwei
Sun Yanjun

SUPERVISORS:

Wu Jiwei *(Chairman of the Supervisory Committee)*
Zhou Guoping
Wu Weiku *(Independent Supervisor)*
Liu Jianwen *(Independent Supervisor)*
Cui Shuhong *(Staff Representative Supervisor)*
Liu Zhiping *(Staff Representative Supervisor)*

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives:	Song Zhiping Chang Zhangli
Alternate Authorized Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (FCS, FCIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	Tower 2 (Building B), Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Principal Place of Business:	21st Floor Tower 2, Guohai Plaza No. 17 Fuxing Road Haidian District, Beijing The PRC
Postal Code:	100036

Corporate Information *(Continued)*

Place of Representative Office in Hong Kong:	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers:	Agricultural Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation
PRC Legal Adviser:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District, Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House 1 Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor 625 King's Road, North Point Hong Kong
Domestic Auditor:	Baker Tilly China Certified Public Accountants Building 12, Foreign Cultural and Creative Garden No. 19, Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Stock Code:	3323
Company Website:	http://cnbm.wsfg.hk www.cnbmltd.com

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

"Baker Tilly China"	天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants)
"Baker Tilly HK"	天職香港會計師事務所有限公司 (Baker Tilly Hong Kong Limited)
"Baishan Cement"	金剛(集團)白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Beijing Triumph"	北京凱盛建材工程有限公司 (Beijing Triumph Building Materials Engineering Co., Ltd.)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM Green Residence"	北新綠色住宅有限公司 (Beijing New Building Material Green Residence Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material (Group) Co., Ltd.)
"BNBM PNG"	中建投巴新公司 (BNBM PNG Limited)
"BNBM Taicang"	太倉北新建材有限公司 (BNBM Taicang Company Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited)
"China Jushi"	中國巨石股份有限公司 (China Jushi Co., Ltd., formerly known as China Fiberglass)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Chongqing Southwest Cement"	重慶西南水泥有限公司 (Chongqing Southwest Cement Company Limited)

"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd)
"CNBM Trading"	中建材集團進出口公司 (China National Building Materials & Equipment Import & Export Corporation)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the PRC
"Conch Venture"	中國海螺創業控股有限公司 (China Conch Venture Holdings Limited)
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Director(s)"	the directors of the Company
"Domestic Shares"	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
"Eight Working Methods"	"Five C", KPI management, counselor system, benchmark management and optimization, "PCP", core profit-generating regions, market competition and cooperation, zero inventory
"EPC"	turn-key project services that include design, procurement and construction etc.
"Environmental Protection Research Institute"	江蘇中建材環保研究院有限公司 (Jiangsu CNBM Environmental Protection Research Institute Company Limited)
"Five C"	marketing centralization, procurement centralization, financial centralization, technical centralization and investment decision-making centralization
"Four Execution & Four Control"	reform execution, innovation execution, marketing execution and management execution & expenditure control, gearing control, cost control and risk control
"Four Increase & Four Reduction"	sales volume increase, variety increase, price increase and profit increase & hierarchy reduction, organization reduction, excess staff reduction and vehicle reduction

"GDP"	gross domestic product
"Group"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guang An BNBM"	廣安北新建材有限公司 (Guang An BNBM Building Material Company Limited)
"Guangxi South Cement"	廣西南方水泥有限公司 (Guangxi South Cement Company Limited)
"Guizhou Southwest Cement"	貴州西南水泥有限公司 (Guizhou Southwest Cement Company Limited)
"Guo Fa [2013] No. 41 Document"	"the State Council's Guidelines on Addressing Severe Overcapacity" (國務院關於化解產能嚴重過剩矛盾的指導意見) issued on 15 October 2013
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Heihe Guanniaohe Cement"	黑河關鳥河水泥有限責任公司 (Heihe Guanniaohe Cement Company Limited)
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
"Hubei BNBM"	湖北北新建材有限公司 (Hubei BNBM Building Material Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司 (China United Cement Huaihai Co., Ltd.)
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)
"Huzhou South"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jetion Solar"	中建材浚鑫科技股份有限公司 (Jetion Solar(China) Co., Ltd.)
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jingang Group"	遼源金剛水泥(集團)有限公司 (Liaoyuan Jingang Cement (Group) Company Limited)

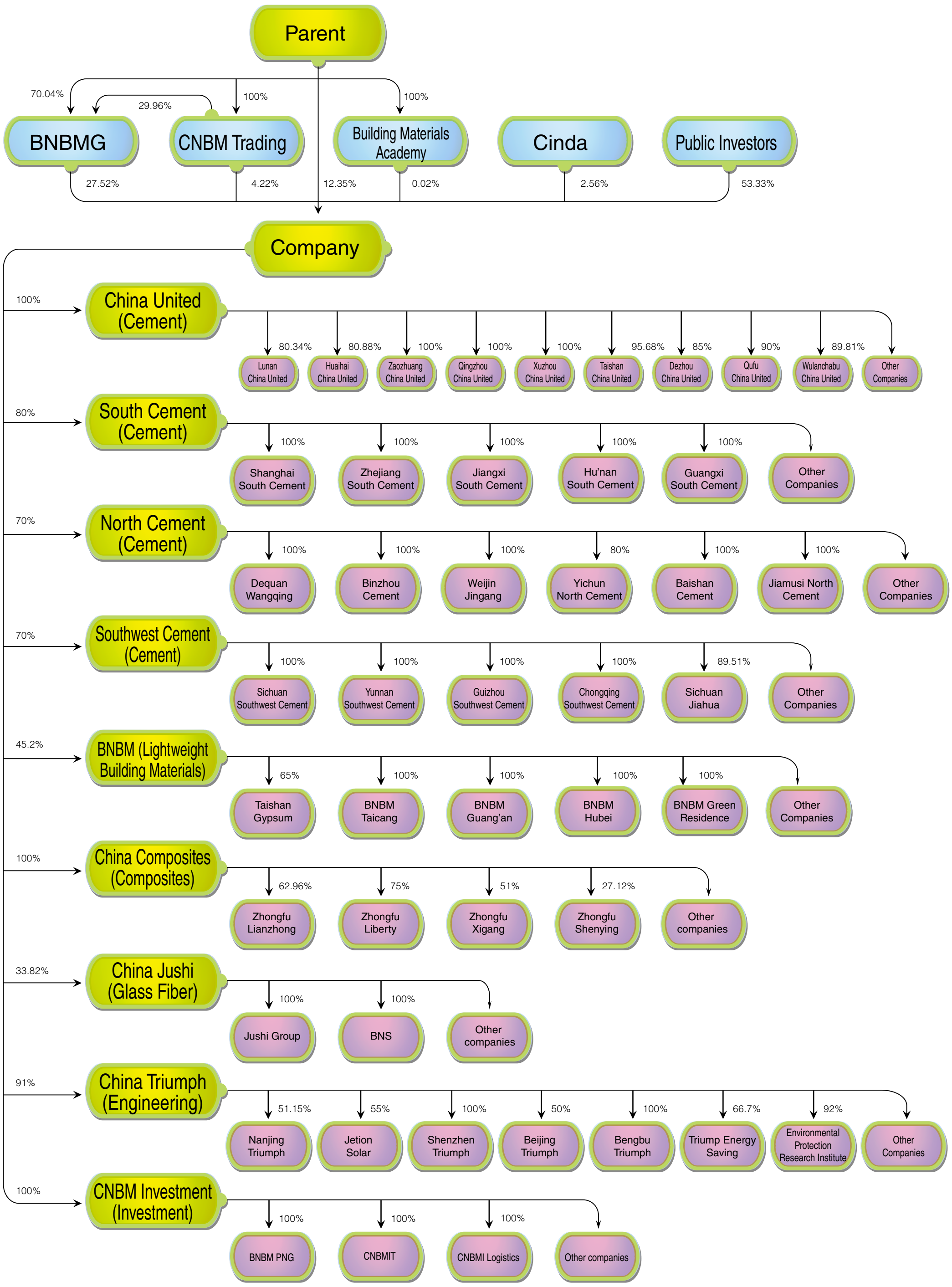
Definitions *(Continued)*

"Triumph Energy Saving"	上海凱盛節能工程技術有限公司 (Shanghai Triumph Energy Saving Engineering Technology Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"Market-oriented Operation of Central State-owned Enterprises"	Central state-owned enterprise is the nature of enterprises' assets, which is a state-owned enterprise managed directly by the central government of the PRC, market-oriented operation is the mechanism of the enterprise and operating mechanism. "Market-oriented Operation of Central state-owned Enterprise" means market-oriented operation shall be exercised in central state-owned enterprise under socialist market economy, including diversified shareholding, normalized corporate system and legal-person governance structure, professional management system, market-oriented internal mechanism, and corporate operation conducted under market rules
"methods of increasing, saving and reducing"	increasing revenue, saving cost and reducing energy consumption
"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"NBS"	中國國家統計局 (National Bureau of Statistics of China)
"NDRC"	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the People's Republic of China)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"Northern China"	including (but not limited to) Heilongjiang, Jilin and Liaoning
"Non-Competition Agreement"	the non-competition agreement dated 28 February 2006 entered into between the Company and the Parent, which is stated on pages 155 to 157 of the prospectus of the Company
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)

"'PCP'"	PCP, being Price-Cost-Profit
"PRC"	the People's Republic of China
"preparation, meticulosity, refinement, solidity"	planning operation in advance, implementing plans and accomplishing goals as early as possible; further refining objectives and measures, and formulating specific strategies based on the market and own features; enhancing management, meticulous organisation and delicate management to improve quality and profitability; working solidly to enhance the basis for development and strengthen foundation
"Promoters"	the initial promoters of the Company, being the Parent, BNBMG, Cinda, the Building Materials Academy and the CNBM Trading
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2014 to 31 December 2014
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanshui Cement"	中國山水水泥集團有限公司 (China Shanshui Cement Group Limited)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Sichuan Southwest Cement"	四川西南水泥有限公司 (Sichuan Southwest Cement Company Limited)
"Sichuan Jiahua"	四川嘉華企業(集團)股份有限公司 (Sichuan Jiahua Enterprise (Group) Co., Ltd)
"Six-star Enterprise"	enterprise with desirable operating result, delicacy management, leading environmental protection, well-known brand, advanced simplicity, safety and stability
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southwest"	including but not limited to Sichuan, Yunnan, Guizhou and Zhongqing
"Southwest Cement"	西南水泥有限公司 (Southwest Cement Company Limited)

"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"'Three Five' management"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralization and investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio
"Three Formulations"	Formulation of functions, formulation of structure and formulation of staffing
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Yatai Group"	吉林亞泰(集團)股份有限公司 (Jilin Yatai (Group) Co., Ltd.)
"Yichun North Cement"	伊春北方水泥有限公司 (Yichun North Cement Company Limited)
"Yunnan Southwest Cement"	雲南西南水泥有限公司 (Yunnan Southwest Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhejiang South Cement"	浙江南方水泥有限公司 (Zhejiang South Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中複麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited)
"Zizhong Southwest"	四川資中西南水泥有限公司 (Sichuan Zizhong Southwest Cement Company Limited)

The simplified structure of the Group as at 31 December 2014 is set out as below:



Note: The aforementioned percentages are rounded to 2 decimal places.

Financial Highlights

The summary of financial results of the Group for 2014 and 2013 is as follows:

	For the year ended 31 December	
	2014	2013
	(RMB in thousands)	
Revenue	**122,011,222**	117,687,840
Gross profit	**33,278,994**	30,137,997
Profit after taxation	**8,671,647**	8,311,870
Profit attributable to equity holders of the Company	**5,919,541**	5,761,854
Distribution made to the equity holders of the Company	**863,844**	836,849
Earnings per share basic *(RMB)*(1)	**1.10**	1.07

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2013 and the weighted average number of 5,399,026,262 shares for 2014.

	As at 31 December	
	2014	2013
	(RMB in thousands)	
Total assets	**316,481,826**	291,631,175
Total liabilities	**249,504,595**	238,055,276
Net assets	**66,977,231**	53,575,899
Non-controlling interests	**21,404,205**	18,197,476
Equity attributable to equity holders of the Company	**40,572,901**	35,378,423
Net assets per share weighted average *(RMB)*(1)	**7.51**	6.55
Debt to assets ratio(2)	**55.9%**	58.4%
Net debts/equity ratio(3)	**248.9%**	300.9%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,399,026,262 shares for 2013 and the weighted average number of 5,399,026,262 shares for 2014.

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

(3) Net debt ratio = (total borrowings-bank balances and cash)/net assets* 100%

The major operating data of each segment of the Group for 2014 and 2013 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**50,830**	48,560
Production volume-clinker *(in thousand tonnes)*	**56,820**	54,030
Sales volume-cement *(in thousand tonnes)*	**44,703**	43,752
Sales volume-clinker *(in thousand tonnes)*	**23,091**	23,350
Unit selling price-cement *(RMB per tonne)*	**257.3**	253.1
Unit selling price-clinker *(RMB per tonne)*	**230.4**	226.4
Sales volume-commercial concrete *(in thousand m^3)*	**35,193**	33,140
Unit selling price-commercial concrete *(RMB per m^3)*	**313.2**	306.0

South Cement

	For the year ended 31 December	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**102,589**	102,170
Production volume-clinker *(in thousand tonnes)*	**95,151**	95,006
Sales volume-cement *(in thousand tonnes)*	**90,895**	92,517
Sales volume-clinker *(in thousand tonnes)*	**25,854**	26,062
Unit selling price-cement *(RMB per tonne)*	**249.5**	250.3
Unit selling price-clinker *(RMB per tonne)*	**217.4**	220.4
Sales volume-commercial concrete *(in thousand m^3)*	**46,385**	49,412
Unit selling price-commercial concrete *(RMB per m^3)*	**341.5**	315.5

CEMENT SEGMENT *(CONTINUED)*

North Cement

	For the year ended 31 December	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**18,956**	13,701
Production volume-clinker *(in thousand tonnes)*	**15,697**	15,373
Sales volume-cement *(in thousand tonnes)*	**19,200**	13,789
Sales volume-clinker *(in thousand tonnes)*	**3,552**	7,429
Unit selling price-cement *(RMB per tonne)*	**322.1**	347.0
Unit selling price-clinker *(RMB per tonne)*	**258.0**	275.4
Sales volume-commercial concrete *(in thousand m^3)*	**2,180**	1,378
Unit selling price-commercial concrete *(RMB per m^3)*	**360.9**	385.2

Southwest Cement

	For the year ended 31 December	
	2014	2013
Production volume-cement *(in thousand tonnes)*	**78,902**	72,739
Production volume-clinker *(in thousand tonnes)*	**60,393**	55,127
Sales volume-cement *(in thousand tonnes)*	**79,154**	71,915
Sales volume-clinker *(in thousand tonnes)*	**3,009**	4,269
Unit selling price-cement *(RMB per tonne)*	**254.2**	256.0
Unit selling price-clinker *(RMB per tonne)*	**229.8**	240.9
Sales volume-commercial concrete *(in thousand m^3)*	**1,253**	1,204
Unit selling price-commercial concrete *(RMB per m^3)*	**285.4**	275.6

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December	
	2014	2013
Gypsum boards — BNBM		
Production volume *(in million m²)*	**229.9**	208.3
Sales volume *(in million m²)*	**235.0**	204.6
Average unit selling price *(RMB per m²)*	**6.65**	6.93
Gypsum boards — Taishan Gypsum		
Production volume *(in million m²)*	**1,193.6**	1,044.7
Sales volume *(in million m²)*	**1,202.2**	1,025.6
Average unit selling price *(RMB per m²)*	**4.58**	4.80

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December	
	2014	2013
Rotor blade		
Production volume *(in blade)*	**4,656**	2,807
Sales volume *(in blade)*	**4,564**	3,241
Average unit selling price *(RMB per blade)*	**383,700**	396,100

Dear Shareholders,

In 2014, amid the complex and severe environment at home and abroad, there have been difficulties and setbacks in the recovery of global economy, while Chinese economy entered to the "new norm". The central government of the PRC adhered to the general tone of making progress while ensuring stability. It stepped up efforts in structural adjustment, maintained the sustainability and stability of macro policy and thus the country experienced stable economic and social development as a whole. Compared with the same period last year, China's GDP increased by 7.4% year on year, while the total investments in fixed assets increased by 15.7% year on year, recording the lowest in terms of growth rate over the recent decade. In particular, infrastructure and real estate investments increased by 21.5% and 10.5% year on year respectively. Affected by the significant decline of the investment growth in fixed assets, demand for the building material industry considerably slowed down. Combined with the severe overcapacity, the growth of economic benefits was narrowed.

In 2014, under the discerning decisions of the Board, the management team led our staff to actively tackle the slowdown in economy, decrease in the growth of investment, weakened demand in the industry and the outstanding imbalance between supply and demand. We firmly implemented the general work thought of "integration and optimization, profit raising and gearing reduction". In adherence to the three main lines of "price stabilization, cost reduction and receivables collection" and the principle of "preparation, meticulosity, refinement, solidity", we orderly commenced all works to achieve stable growth in operating results and steady development of the Company. Under the IFRS, the Group's consolidated revenue amounted to RMB122,011 million for the year of 2014, representing an increase of 3.7% over the same period last year. Profit attributable to equity holders of the Company amounted to RMB5,920 million, representing an increase of 2.7% over the same period last year. I would like to express my heartfelt gratitude to the management team and all the staff for their hard work and contribution, especially all our Shareholders for their lasting trust and support.

Mr. Song Zhiping
Chairman of the Board
Executive Director

On behalf of the Board, I am pleased to present the Company's 2014 Annual Report and major results to you.

In 2014, CNBM proactively responded to the new requirements under the "new norm" of Chinese economy. It grew by implementing various strategies to match its goals. Under the severe external environment, it put great efforts in establishing a "combined advantage" of scale, technology, management and mechanism. It implemented the "Eight Working Methods" to establish its market and cost advantages, the "Six-star Enterprise" as the core element to build its management strength, the "Market-oriented Operation of Central State-owned Enterprises" to optimize mechanism, the "three-level mixed ownership" to deepen ownership reformation, the "culture of inclusion" to promote harmonic development and the "management enhancement" to secure real reform outcomes. It continued to innovate development ideologies and modes which created a good momentum of improvement with stability and growth amid the adverse environment.

Facing the problem of weak demand and overcapacity in the industry, CNBM adhered to the concept of co-existence and mutual win. It efficiently combined external markets with the internal market and commenced integration and optimization. It also took the lead to promote the market co-opetition mentality of "rational development, orderly competition, balanced production and sales and healthy market" and proactively promoted energy saving, emission reduction and paced production, which helped to maintain market stability. Meanwhile, through the innovative consolidation and restructuring mode, CNBM shifted from consolidating small and medium sized enterprises to capital integration with major enterprises by investing in listed cement companies in our core profit-generating regions like Conch Venture, Yatai Group and Shanshui Cement, which further strengthened the market co-opetition within the core profit-generating regions and made a positive contribution to solving overcapacity problem.

Over the year, we stood with the challenges brought by the stringent business environment and strived hard for the achievements. Consequently, we are confident in coming year.

2015 will be critical for the reforms carried out by the government and also a fruitful year to complete implementation of the "Twelve Five-year" plan. The central government of the PRC will proactively adapt to and guide the new norm in the economic development, continue its general tone of improvement with stability and persist in focusing on enhancing the quality and efficiency of economic development and tend to further loosen the macroeconomic policy. As a result, the growth rate of the GDP will be approximately 7%. The government will continue its strategic works in four regional segments including western development, northwestern revitalization, rise of midland and the east taking the lead. It will prioritize and implement the strategic mix of three supporting zones including "One Belt and One road", Beijing – Tianjin – Hebei synergetic development and Yangtze River Economic Zone. All these will bring rigid demand for the building materials industry. On the other hand, the greater governance in overcapacity problem, restrictions over newly-added capacity, elimination of obsolete capacity and further enhancement of standards will be implemented by the State. Besides, deeper strategic cooperation among major enterprises will facilitate responding more maturely to the problem of overcapacity amid the new norm where the industry has shifted from a stage of high-speed demand growth to a plateau. All these will ensure the stable development of the industry.

2015 will be a year of reform and transformation for CNBM. Amid opportunities and challenges, CNBM will continue to fully follow and implement the work thought of "integration and optimization, profit raising and gearing reduction", the working philosophy of "preparation, meticulosity, refinement, solidity", the work focus of "Four Execution & Four Control and Four Increase & Four Reduction" and the work policy of "price stabilization, cost reduction, receivables collection and inventory control". The Company will continue to deepen management integration and aggressively promote structural adjustment, transformation and upgrade. Moreover, it will further optimize its scale advantage, develop technology advantage, enhance management advantage and strengthen mechanism advantage, so as to strive to adjust the pace of development without weakening its advantages as well as achieve quantity increase with improved quality, create additional advantages under the "new norm", and ultimately reward the Shareholders and the society with outstanding results.

Song Zhiping
Chairman of the Board

Beijing, the PRC
24 March 2015

Mr. Cao Jianglin
President
Executive Director

BUSINESS OVERVIEW

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

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests held by the Company
Cement	NSP cement and commercial concrete	China United	100.00%
		South Cement	80.00%
		North Cement	70.00%
		Southwest Cement	70.00%
Lightweight building materials	Dry wall and ceiling system	BNBM	45.20%
Glass fibre and composite materials	Rotor blades	China Composites	100.00%
	Glass fibre	China Jushi	33.82%
Engineering services	Design and engineering EPC services: Float glass production lines and NSP cement production lines	China Triumph	91.00%

In 2014, the Group overcame the difficult operating environment brought by the scant demand caused by the slowdown in the economy and severe overcapacity. It fully engaged in production, operation and deep management integration, and also progressively pushed forward capital operation, innovatively created consolidation and restructuring model, and promoted consolidation, transformation and upgrading in the industry based on the principle of "integration and optimization, profit raising and gearing reduction" and the three main lines of "price stabilization, cost reduction and receivables collection" and in adherence to the "Eight Working Methods" and the requirement of "preparation, meticulosity, refinement, solidity". As a result, the Group recorded stable growth in operating results, which included stable results of both sales volume and prices of major products, effective control over cost and expenses, improvement in gross margin of major products and debt-to-assets ratio. In 2014, a stable improvement has been seen in the sales volume of major products, revenue and net profit of the Group. The cement and clinker total sales volume increased by 2.1% year on year to 291.2 million tonnes, commercial concrete sales volume decreased by 0.03% year on year to 87.1 million m^3, gypsum board sales volume increased by 16.8% year on year to 1,437 million m2, glass fiber total sales volume increased by 24.2% year on year to 1.02 million tonnes. The revenue of the Group increased by 3.7% year on year to RMB122,011 million and the profit attributable to the equity holders of the Company increased by 2.7% year on year to RMB5,920 million.

CEMENT SEGMENT

In 2014, the national economic growth continued to slow down, along with a significant decline in investment in the real estate industry, which led to the lowest record of the growth rate of investment in fixed assets in the recent decade. As a result, national cement production increased by 2.3% year on year to 2.48 billion tonnes, which indicated that the demand of the cement industry has entered to a static stage. The national cement price generally started high but ended low in the year, and cement capacity utilization rate also decreased. Overall, the profit of the cement industry maintained stable.

The central government of the PRC has firmly carried out the decision on resolving the issue of severe overcapacity in the cement and other industries. It launched relevant implementation rules and measures on the prevention of overcapacity on top of the document Guo Fa [2013] No. 41 (國發〔2013〕41號文件), with real progress in upgrading the cement standard, which could facilitate overcapacity reduction and supply contraction. Besides, the state was placing more emphasis on the control of air pollution, progressively cutting down obsolete production capacity, promoting paced production of cement enterprises in the northern region in the winter and encouraging enterprises to achieve energy saving, emissions reduction and development with reduced capacity. In 2014, the investment in the cement industry of China decreased by 19.4% over the last year. The newly-added production capacity of clinkers was 70.3 million tonnes, representing a year-on-year decrease of 25%, with a total phased out obsolete cement production capacity of approximately 81 million tonnes. Meanwhile, the central government of the PRC encouraged the merger and restructuring of enterprises by launching financing and tax preferential policies. Major enterprises continued to lead industrial consolidation which further increased industry concentration, while the total market shares of top ten cement companies reached 52% in term of NSP clinker production capacity. (source of information: NBS, MIIT and China Cement Association)

CEMENT SEGMENT *(CONTINUED)*

In 2014, the cement segment of the Group actively dealt with significant decline in demand and widened gap between supply and demand. It comprehensively implemented the principle of “integration and optimization, profit raising and debt reduction” and firmly executed the three main lines of “price stabilization, cost reduction and receivables collection”. Firstly, it stabilized price, closely monitored KPI, continuously strengthened digitalization in management, benchmark management and commenced the “100-Day Operation Plan”, which made use of indicators to monitor operating performance, with an aim to respond to the severe operating environment of slow demand during peak season. It also insisted on the business ideology of “PCP” by launching marketing campaigns in all aspects and progressively cultivated high-level and meticulous co-opetition, which promoted the balance between supply and demand in regional markets. Secondly, deep management integration was carried forward by fully implementing the cost and expense control plan, continuously developing lean production, delicacy management and upgraded technology, and strengthening “Five C” management in an order to effectively reduce production cost. Besides, it promoted the principle of “simplified organization and capable personnel” by optimizing shareholding structure, reducing management hierarchy levels, encouraging integration of regional companies and grassroots enterprises, cutting down organizations and staff to improve labor productivity and management efficiency. Furthermore, it strengthened receivables management and inventory management in order to ensure the quality and the quantity of receivables collected. Thirdly, it reformed consolidation and restructuring mode and put emphasis on resource integration to solidify the core profit-generating regions by way of equity participation, joint venture, entrustment and lease. As at the end of 2014, the production capacity of cement reached 400 million tonnes, whilst that of commercial concrete reached 413 million m^3.

China United

China United adhered to the “PCP” business ideology, innovated self-discipline emission reduction model and promoted the balance of supply and demand in the market. Benefited from the synergy between cement and commercial concrete business, there was a stable improvement in the sales volume and price of major products.

China United fully promoted management integration and established a segmental management system based on the core profit-generating regions according to the principle of “simplified organization and capable personnel” and implemented the works on “Three Formulations” so as to enhance management efficiency and labor productivity. Through benchmark management and the counselor system, it progressively initiated new technology on energy conservation and emission reduction and increased the consolidated utilization level of waste, which further optimized the energy consumption indicators and achieved energy saving and consumption reduction. It also leveraged the economic scale of cement and commercial concrete operation to realize procurement centralization for cost reduction. Besides, it also strengthened its management of receivables and inventory, optimized the system of collection and settlement, and lowered the opportunity of fund misappropriation, which effectively controlled the receivables proportion.

Through the innovative consolidation and restructuring model, project construction, stock assets optimization, the bargaining power of China United gradually improved. As at the end of 2014, the production capacity of cement reached 101 million tonnes, whilst that of commercial concrete reached 183 million m^3.

CEMENT SEGMENT *(CONTINUED)*

South Cement

South Cement adhered to the business ideology of "PCP" with marketing as the priority while strengthening self-discipline and market integration by promoting co-opetition at all directions and all levels. It mitigated the degree of reduction in cement price through inventory control in low season and grasped the chance to raise price during peak season. It carried out the segmentation of market and customer base so as to increase the rate of winning bids for key projects and consolidate market share.

South Cement continuously promoted comprehensive management integration and fully implemented the plan on cost and expense control. Based on the principle of "simplified organization and capable personnel", it encouraged combined management of enterprises, optimized organizational structure and promoted regional integration of commercial concrete business, which effectively enhanced labor productivity. It also promoted lean production, deepened benchmark management and the counselor system and upgraded technology with an aim to reduce consumption and cost. In addition, based on the strategic cooperation with major suppliers, it made full use of its economic scale to broaden procurement channels and control inventory on raw materials to significantly reduce procurement cost. More emphasis was put on the centralized management of capital to achieve integration of finance and business in order to increase efficiency of funds utilization. Furthermore, it strengthened management on receivables and closely monitored the settlement system and assessment on specialized items to effectively prevent risks of receivables.

South Cement steadily promoted consolidation and restructuring, further extended the industry chain and put more efforts in the integration of resources and logistics to enhance sustainable competitiveness. As at the end of 2014, the production capacity of cement reached 148 million tonnes, whilst that of commercial concrete reached 199 million m^3.

CEMENT SEGMENT *(CONTINUED)*

North Cement

North Cement overcame the unfavorable condition of the slowdown in market demand and insisted on the "PCP" business ideology, strengthened marketing management, continuously optimized the marketing mode, which increased rate of winning bids for key projects. Besides, it actively promoted and implemented paced production, which promoted the balance between supply and demand in the market and the sustainable development of the industry.

North Cement proactively promoted deep management integration and strengthened "Five C" management. Through the accountability system for each management area, it optimized the main elements of internal control management to achieve centralized management of staff, funds, procurement, production and sales, and reduce costs on procurement, production and logistics, which enhanced the management efficiency on staff and funds. Based on the principle of "simplified organization and capable personnel", it integrated and optimized the regional market, implemented the works on "Three Formulations" to enhance operating efficiency with a gradually improved competitive edge. In addition, it fully executed the plan on cost saving and achieved energy saving and consumption reduction through technology upgrade and optimization of energy consumption indicators. It also strengthened the management on receivables collection, which effectively reduced receivables proportion.

North Cement innovated the consolidation and restructuring model to achieve capital integration among major enterprises through holding shares in major enterprises in the region. It increased its market shares by leasing and entrusting grinding stations, etc., which played an important role to consolidate the core profit-generating regions. As at the end of 2014, the production capacity of cement reached 33 million tonnes, whilst that of commercial concrete reached 16 million m^3.

CEMENT SEGMENT *(CONTINUED)*

Southwest Cement

Southwest Cement adhered to the business ideology of “PCP” to further encourage market co-opetition and self-discipline in the industry, which promoted national regression of cement price. It chose channel operation as its core strategy and secured “major clients, large projects and substantial orders”, which increased its market shares in key projects.

Southwest Cement promoted deep management integration, implemented the “Five C” management and strengthened centralized procurement by improving the strategic cooperation with major suppliers and increasing proportion of direct supply with an aim to reduce procurement price. Delicacy management was strengthened to optimize energy consumption indicators. It further implemented the principle of “simplified organization and capable personnel” by proceeding with the “three-to-two” integration, which involved the combination of the original north and south Sichuan operation centers into Sichuan Southwest Cement and redistributing management of certain enterprises from the original north Sichuan operation center to Chongqing Southwest Cement. Additionally, it advanced work on the “Three Formulations” to significantly reduce the number of management personnel and continuously increase labor productivity and management efficiency. Besides, it strengthened its management on inventory and receivables by implementing the accountability system on receivables, which achieved outstanding results of control over receivables percentage and improvement in the utilization of capital.

Southwest Cement steadily promoted consolidation and restructuring and projects construction, and accelerated mines construction to enhance the sustainable development of the enterprise. As at the end of 2014, the production capacity of cement reached 117 million tonnes, whilst that of commercial concrete reached 8 million m^3.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

BNBM insisted on the strategy of seizing the prominent position. Following Shanghai International Convention Center, it cooperated with APEC again to undertake the project of International Metropolis. All used in the project was Dragon anti-formaldehyde gypsum board and light steel framed wall and ceiling system. It also comprehensively proceeded with a transformation of its primary business (including gypsum board business) and explored the wall structure market for residential properties. In addition, it put more efforts in market control through strengthening direct sales, further expanding into the retail and household installation market, repairing market and minor client base. All these helped to achieve a stable growth in the sales and profit of Dragon gypsum boards and Taishan gypsum boards.

On top of the strategy of “focusing on regions, focusing on first-tier cities”, it fully promoted deep management integration for transformation and upgrading of business through market-oriented reformation and the switching of business ideology to “customer first”. It also established a highly efficient and elite management system to realize a complete integration of the sale teams, and fully developed the advantages of channel sharing to increase operational efficiency and market competitiveness. It also worked hard on innovative technology and making international leading products to enhance brand value. Through benchmark management of return on investment, it established “Six-star Enterprise”.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS

Composite materials business

China Composites seized the structural adjustment and favourable recovery in the wind power industry, strengthened marketing, accelerated the development of new customer groups and put more emphasis on exploring international markets, which achieved a relatively significant growth in the sales of major products. Based on the market development trend, it sped up adjusting product structure of rotor blades, seized the prominent position and developed a total of 10 series and 40 types of rotor blade through independent innovation and technology upgrade, which further broadened its market coverage. The independent research and development product of 6MW rotor blade of 75m, the longest type in the domestic market that reached the international standard, was successfully launched, which laid a solid foundation for the domestication of high-power wind power generators.

China Composites promoted deep management integration and achieved cost control and efficiency enhancement. It also strengthened the management on collection of receivables, inventory and funds, which increased the efficiency of capital utilization.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENTS *(CONTINUED)*

Glass fiber business

China Jushi seized the favourable recovery in the glass fiber industry and continued to adjust product structure, sales structure and inventory structure, which further increased the percentage of high-end products and number of quality customer and effectively controlled total inventories. It also proactively developed the advantage of resource integration at the headquarter, implemented a unified management on “sales, procurement, finance, personnel and technology”, orderly promoted organizational integration, and finalized the works on “Three Formulations”, which increased labor productivity. It also continued to execute the “methods of increasing, saving and reducing”, which helped further reducing production costs and achieved both increase in sales volume and price. It also enhanced efforts on innovation by insisting on the high-end strategy to gain better benefits from production of differentiated products.

China Jushi kept on optimizing its global industrial layout and steadily implemented the “going out” strategy. The alkali-free glass fibre pool kiln wiredrawing production line with an annual capacity of 80,000 tonnes in Egypt successfully commenced operation with both the utilization rate and sales-output ratio reaching 100%, which further enhanced the competitiveness and international influence of the enterprise.

ENGINEERING SERVICES SEGMENT

Leveraging on core technology, China Triumph seized the opportunity for market operation and technology innovation. By maintaining growth and promoting transformation, it recorded a stable growth in revenue and profit. Regarding technology on glass manufacturing, it pushed forward the “going out” strategy, achieved “sophistication, precision and power” on traditional float glass and conducted R&D on high-end glass, including special glass and new-type glass. Regarding technology on cement projects, it sought to strengthen business by streamlining strategies and expanding overseas markets. Regarding technology on new energy projects, it achieved transformation and upgrading by leveraging on the successful example on EPC and industry chains collaboration. Regarding energy conservation and environmental protection, it captured the demand for industrial upgrade and energy conservation and emission reduction in order to further promote green development.

Following the direction of reformation with vigor, structural adjustment for support and delicacy management for efficiency, China Triumph fully promoted deep management integration.

FINANCIAL REVIEW

Revenue of the Group increased by 3.7% to RMB122,011.2 million in 2014 from RMB117,687.8 million during 2013. Profit attributable to equity holders increased by 2.7% to RMB5,919.5 million in 2014 from RMB5,761.9 million during 2013.

Revenue

Our revenue increased by 3.7% to RMB122,011.2 million in 2014 from RMB117,687.8 million during 2013. The major reason was that although revenue of Southwest Cement increased by RMB1,398.7 million, revenue of China United increased by RMB1,343.8 million, revenue of Engineering services segment increased by RMB868.1 million, revenue from the lightweight building materials segment increased by RMB691.3 million, revenue of North Cement increased by RMB525.7 million and the revenue of the glass fibre and composite materials segment increased by RMB324.6 million, they were partially offset by the revenue decrease of RMB352.1 million from South Cement.

Cost of sales

Our cost of sales increased by 1.4% to RMB88,732.2 million in 2014 from RMB87,549.8 million during 2013. The major reason was that although the cost of sales of Engineering services segment increased by RMB600.6 million, the cost of the lightweight building matericals segment increased by RMB558.8 million, the cost of sales of China United increased by RMB420.3million, the cost of sales of Southwest Cement increased by RMB397.4 million, the cost of sales of North Cement increased by RMB364.1 million, and the cost of sales of the glass fibre and composite materials segment increased by RMB244.6 million, they were partially offset by the decrease in cost of sales of South Cement of RMB1,084.0 million.

Other income

Other income of the Group increased by 17.9% to RMB4,954.9 million in 2014 from RMB4,204.1 million during 2013. This was primarily due to a net gain from change in fair value of financial assets at fair value through profit or loss of the Group increased from RMB-57.8 million in 2013 to RMB316.7 million in 2014, the discount on acquisition of interests in subsidiaries by the Group increased from RMB28.4 million in 2013 to RMB215.7 million in 2014, which was partially offset by the income from technical and services decreased from RMB253.7 million in 2013 to RMB147.7 million in 2014.

Selling and distribution costs

Selling and distribution costs increased by 12.0% from RMB6,928.5 million in 2013 to RMB7,760.4 million in 2014. The major reasons for such increase were an increase of RMB347.2 million in transportation costs, an increase of RMB164.5 million in expenses for business trips, an increase of RMB59.2 million in depreciation and amortisation costs and an increase of RMB30.4 million in the expenses for packaging fees.

FINANCIAL REVIEW *(CONTINUED)*

Administrative expenses

Administrative expenses increased by 11.2% to RMB9,049.3 million during 2014 from RMB8,134.7 million in 2013. This was primarily due to an increase of RMB214.8 million in labour costs, an increase of RMB214.0 million in depreciation and amortisation of intangible assets, an increase of RMB113.5 million in research and development expenses, an increase of RMB102.3 million in tax (mainly including property tax, land use tax and vehicle and vessel taxes).

Finance costs

Finance costs increased by 16.7% to RMB10,856.6 million in 2014 from RM9,306.5 million in 2013, due to our increased borrowings.

Share of profits of associates

Our share of profit of associates increased by 56.3% to RMB985.4 million in 2014 from RMB630.5 million in 2013, primarily due to an increase in profits of our associated companies in the cement segment as well as an increase in the profit of China Jushi, an associate of the Group.

Income tax expense

Income tax expense increased by 25.8% to RMB2,881.4 million in 2014 from RMB2,291.2 million in 2013, primarily due to the increase in profit before taxation.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 6.2% to RMB2,707.0 million in 2014 from RMB2,550.0 million in 2013, primarily due to the increase in operating profit in our business segments.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 2.7% to RMB5,919.5 million in 2014 from RMB5,761.9 million in 2013. Net profit margin for 2013 and 2014 was both 4.9%.

FINANCIAL REVIEW *(CONTINUED)*

China United

Revenue

Revenue from China United increased by 5.1% to RMB27,842.6million in 2014 from RMB26,498.8 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete and the slight increase in the selling price of cement products and commercial concrete.

Cost of sales

Cost of sales from China United increased by 2.1% to RMB20,116.7 million in 2014 from RMB19,696.4 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete, which was partially offset by the decrease in the coal prices.

Gross profit and gross profit margin

Gross profit from China United increased by 13.6% to RMB7,725.9 million in 2014 from 6,802.4 million in 2013. Gross profit margin of China United increased from 25.7% in 2013 to 27.7% in 2014. The increase in gross profit margin was mainly due to the slight increase in the selling price of cement products and commercial concrete and the decrease in coal prices.

Operating profit

Operating profit from China United increased by 9.3% to RMB5,051.9 million in 2014 from RMB4,622.9 million in 2013. Operating profit margin for the segment increased from 17.4% in 2013 to 18.1% in 2014. The increase was primarily due to the increase in gross profit margin, yet partially offset by the increase in transportation fee.

South Cement

Revenue

Revenue from South Cement decreased by 0.8% to RMB44,137.5 million in 2014 from RMB44,489.7 million in 2013, mainly attributable to the decrease in sales volume of cement products and commercial concrete and the decrease in the selling price of cement products, but was partially offset by the increase in the selling price of commercial concrete.

Cost of sales

Cost of sales from South Cement decreased by 3.2% to RMB32,470.3 million in 2014 from RMB33,554.3 million in 2013, mainly attributable to the decrease in sales volume of cement products and commercial concrete and the decrease in the coal prices.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Gross profit and gross profit margin

Gross profit from South Cement increased by 6.7% to RMB11,667.2 million in 2014 from RMB10,935.4 million in 2013. Gross profit margin of South Cement increased from 24.6% in 2013 to 26.4% in 2014. The increase in gross profit margin was mainly due to the increase in the selling price of commercial concrete and the decrease of coal prices, but was partially offset by a lower selling price of cement products.

Operating profit

Operating profit from South Cement increased by 10.8% to RMB6,754.0 million in 2014 from RMB6,096.8 million in 2013. Operating profit margin for the segment increased from 13.7% in 2013 to 15.1% in 2014. The increase was primarily due to the increase of gross profit margin, but was partially offset by the increase in transportation cost.

North Cement

Acquisition of cement subsidiaries

North Cement acquired 4 cement companies after 31 December 2013. Operating results of the above 4 cement companies were consolidated into the operating results of North Cement for the year ended 31 December 2014, but excluded from the operating results for the year ended 31 December 2013.

The following table sets out the revenue, cost of sales, gross profit and operating profit of the abovementioned 4 cement companies for the year ended 31 December 2014 and their respective percentage in North Cement.

	RMB in millions	Percentage in North Cement
Revenue	105.4	1.3
Cost of sales	88.7	1.7
Gross profit	16.7	0.7
Operating profit	1.5	0.1

Save the reasons stated below, changes in the operating results of North Cement for year ended 31 December 2014 as compared with the year ended 31 December 2013 were also due to the inclusion of the acquisition of cement subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Revenue

Revenue from North Cement increased by 7.1% to RMB7,887.7million in 2014 from RMB7,362.0 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete, which was partially offset by the decrease in the selling price of cement products and commercial concrete.

Cost of sales

Cost of sales from North Cement increased by 7.3% to RMB5,372.9 million in 2014 from RMB5,008.8 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete, but was partially offset by the decrease of coal prices.

Gross profit and gross profit margin

Gross profit from North Cement increased by 6.9% to RMB2,514.8 million in 2014 from RMB2,353.2 million in 2013. Gross profit margin of North Cement decreased from 32.0% in 2013 to 31.9% in 2014, mainly owing to a lower selling price of cement products and commercial concrete, but was partially offset by the decrease of coal prices.

Operating profit

Operating profit from North Cement decreased by 7.5% to RMB1,729.4 million in 2014 from RMB1,870.5 million in 2013. Operating profit margin for the segment decreased from 25.4% in 2013 to 21.9% in 2014, primarily due to the increase in transportation cost and the decrease in gross profit margin.

Southwest Cement

Revenue

Revenue from Southwest Cement increased by 7.1% to RMB21,168.1million in 2014 from RMB19,769.4 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete and the increase in the selling price of commercial concrete, which was partially offset by the decrease in the selling price of cement products.

FINANCIAL REVIEW *(CONTINUED)*

Southwest Cement *(Continued)*

Cost of sales

Cost of sales from Southwest Cement increased by 2.8% to RMB14,373.1 million in 2014 from RMB13,975.6 million in 2013, mainly attributable to the increase in sales volume of cement products and commercial concrete, but partially offset by the decrease in coal prices.

Gross profit and gross profit margin

Gross profit from Southwest Cement increased by 17.3% to RMB6,795.1million in 2014 from RMB5,793.8 million in 2013. Gross profit margin of Southwest Cement increased from 29.3% in 2013 to 32.1% in 2014, mainly owing to the increase in the selling price of commercial concrete and a lower coal price, which was partially offset by the decrease in the selling price of cement products.

Operating profit

Operating profit from Southwest Cement increased by 16.7% to RMB4,636.6 million in 2014 from RMB3,973.9 million in 2013. Operating profit margin for the segment increased from 20.1% in 2013 to 21.9% in 2014, primarily due to the increase in gross profit margin.

Lightweight building materials segment

Revenue

Revenue from the lightweight building materials segment increased by 9.9% to RMB7,672.9 million in 2014 from RMB6,981.6 million in 2013. This was mainly attributable to the increase in sales volume from our main product, gypsum boards, but partially offset by a reduction of its selling price.

Cost of sales

Cost of sales from the lightweight building materials segment increased by 10.6% to RMB5,811.5 million in 2014 from RMB5,252.7 million in 2013. This was mainly attributable to the increase in sales volume from our main product, gypsum boards, but partially offset by the decrease in coal price.

Gross profit and gross profit margin

Gross profit from the lightweight building materials segment increased by 7.7% to RMB1,861.4 million in 2014 from RMB1,728.9 million in 2013. Our gross profit margin from the lightweight building materials segment decreased to 24.3% in 2014 from 24.8% in 2013, mainly due to a reduction of the selling price of gypsum board, but partially offset by the decrease in coal price.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight building materials segment *(Continued)*

Operating profit

Operating profit from the lightweight building materials segment increased by 14.4% to RMB1,830.9 million in 2014 from RMB1,600.0 million in 2013. The gross profit margin from this segment increased to 23.9% in 2014 from 22.9% in 2013, mainly due to the increase of VAT refunds and government grants, which was partially offset by the decrease in gross profit margin.

Glass fibre and composite materials segment

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

Revenue

Our revenue from the glass fibre and composite materials segment increased by 14.3% to RMB2,601.8 million in 2014 from RMB2,277.2 million in 2013. The main reason is that although our revenue from the FRP pipes and tanks business and rotor blade has increased RMB359.3 million, our revenue from the shipping business has increased RMB39.2 million, they are partially offset by our revenue decrease in the flooring business.

Cost of sales

Our cost of sales from the glass fibre and composite materials segment increased by 14.3% to RMB1,953.4 million in 2014 from RMB1,708.8 million in 2013. The main reason is that our cost from the FRP pipes and tanks business and rotor blade has increased RMB234.0 million in addition to our cost increase of RMB36.8 million in the shipping business, but was partially offset by the cost decrease of flooring business.

Gross profit and gross profit margin

Our gross profit from the glass fibre and composite materials segment increased by 14.1% to RMB648.4 million in 2014 from RMB568.3 million in 2013. Our gross profit margin from the glass fibre and composite materials segment decreased to 24.9% in 2014 from 25.0% in 2013. This is mainly due to an decrease in the gross profit margin of the shipping business and flooring business in 2014.

FINANCIAL REVIEW *(CONTINUED)*

Glass fibre and composite materials segment *(Continued)*

Operating profit

Operating profit for our glass fibre and composite materials segment increased by 31.7% to RMB305.1 million in 2014 from RMB231.8 million in 2013. The operating profit margin for the segment increased to 11.7% in 2014 from 10.2% in 2013, primarily due to the decrease in the unloading fees and sales service fees for the period.

Engineering services segment

Revenue

Our revenue from the engineering services segment increased by 12.8% to RMB7,628.2 million in 2014 from RMB6,760.1 million in 2013, mainly because of an increase in the completed construction services in the period.

Cost of sales

Our cost of sales from the engineering services segment increased by 11.3% to RMB5,894.1 million in 2014 from RMB5,293.5 million in 2013, mainly because of an increase in the completed construction services in the period.

Gross profit and gross profit margin

Our gross profit from the engineering services segment increased by 18.2% to RMB1,734.0 million in 2014 from RMB1,466.5 million in 2013, mainly because of an increase in the completed construction services in the period. Our gross profit margin from the engineering services segment increased to 22.7% in 2014 from 21.7% in 2013, primarily due to the increase in gross profit margin of EPC projects.

Operating profit

Operating profit for our engineering services segment increased by 29.7% to RMB1,038.3 million in 2014 from RMB800.3 million in 2013, while the operating profit margin for the engineering service segment of the Group increased to 13.6% in 2014 from 11.8% in 2013, mainly because of an increase in gross profit margin and the increase in discount on acquisition of interests in subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and financial resources

As at 31 December 2014, the Group had unused banking facilities and bonds registered but not yet issued of approximately RMB130,745.7 million in total.

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

	As at 31 December	
	2014	2013
	(RMB in millions)	
Bank loans	**177,023.7**	170,208.2
Other borrowings from non-financial institutions	**—**	—
	177,023.7	170,208.2

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

	As at 31 December	
	2014	2013
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**139,292.6**	113,331.8
Between one and two years	**24,351.5**	21,721.2
Between two and three years	**6,719.4**	20,550.2
Between three and five years (inclusive of both years)	**5,019.9**	14,157.0
Over five years	**1,640.3**	448.0
Total	**177,023.7**	170,208.2

As at 31 December 2014, bank loans in the amount of RMB3,988.9 million were secured by assets of the Group with a total carrying value of RMB18,799.2 million.

As at 31 December 2014 and 31 December 2013, we had a debt-to-asset ratio of 55.9% and 58.4%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

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

Contingent Liabilities

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

	As at 31 December	
	2014	2013
	(RMB in millions)	
Guarantee to banks in respect of bank credits used by an independent third party of subsidiaries before acquisition	—	85.0
Total	—	85.0

Capital Commitments

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

	As at 31 December	
	2014	2013
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**166.9**	667.3
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	**12.4**	49.4
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	—	165.2

FINANCIAL REVIEW *(CONTINUED)*

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2014 by segment:

	For the year ended 31 December 2014	
	(RMB in millions)	*% of total*
Cement	**5,686.0**	60.8
Among: China United	**2,603.1**	27.8
South Cement	**1,270.1**	13.6
North Cement	**529.7**	5.7
Southwest Cement	**1,235.7**	13.2
Commercial concrete	**536.4**	5.7
Among: China United	**236.8**	2.5
South Cement	**197.2**	2.1
North Cement	**94.1**	1.0
Southwest Cement	**4.0**	0.04
Lightweight building materials	**1,169.3**	12.5
Glass fibre and composite materials	**289.6**	3.1
Engineering services	**287.3**	3.1
Others	**1,379.9**	14.8
Total	**9,348.5**	100.0

Cash Flow from Operating Activities

For 2014, our net cash inflow generated from operating activities was RMB15,169.1 million. Such net cash inflow was primarily due to RMB28,278.7 million of cash flow from operating activities before the change in working capital, partially offset by a RMB3,542.3 million increase in trade and other receivables and a RMB4,994.8 million decrease in trade and other payables.

Cash Flow from Investing Activities

For 2014, our net cash outflow from investing activities was RMB16,897.6 million, which was primarily due to an expenditure of RMB392.8 million for acquisition of subsidiaries, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB8,567.3 million in total, other payment for investing activities of RMB4,219.0 million and a RMB6,585.0 million paid in deposits.

Cash Flow from Financing Activities

For 2014, we had a net cash inflow from financing activities amounting to RMB3,116.9 million, primarily attributable to a total of RMB163,723.4 million in new borrowings, partially offset by RMB155,357.3 million for repayment of borrowings.

OUTLOOK FOR 2015

In 2015, the central government of the PRC will continue to adopt the general tone of making progress while maintaining stability, ensure the continuity and stability of macroeconomic policy, and implement proactive fiscal policy and prudent monetary policy to ensure the rational operation of the economy. There are still potentials for investment in China, especially in infrastructure like water conservation, shanty town renewal, railways and highways and urban pipe network. The strategic mix of three supporting zones highlighted by the central government of the PRC including “One Belt and One Road”, Beijing – Tianjin – Hebei synergetic development and the Yangtze River Economic Belt will kick start a number of key projects. Meanwhile, as the monetary policy of China enters into the cycle of interest rate cut and reserve rate cut, real economy will receive more support and the real estate market will recover gradually. Consequently, the industry will maintain the plateau to see a stable demand generally. On the other hand, the problem of overcapacity will be eased gradually, as the growth in new capacity further slows down, the government continues to put more efforts on elimination of obsolete capacity and further implements the policy of abolishing low grade cement and new standard on pollutant emissions of the cement industry, and major enterprises further agrees unanimously to cope with the problem of overcapacity by maintaining industry discipline and conducting market consolidation.

In 2015, the Group will continue to persist in the work thought of “integration and optimization, profit raising and gearing reduction”, the principle of “preparation, meticulosity, refinement, solidity”, the focus of “Four Execution & Four Control” and “Four Increase & Four Reduction”, and the four main lines of “price stabilization, cost reduction, receivables collection and inventory control”. Besides, it will firmly promote production and operation, deep management integration, corporate reformation and transformation and upgrading in order to comprehensively accomplish all missions and targets for 2015.

Firstly, it will strengthen the four main lines of “price stabilization, cost reduction, receivables collection and inventory reduction”. It will adhere to the business ideology of “PCP”, proactively promote high level and meticulous co-opetition, paced production and emissions reduction by self-discipline, which will facilitate the restoration of balance between supply and demand. Besides, it will firmly implement cost and expense control plan by organization optimization, technology upgrade and resource integration to reduce cost. In addition, it will remain goal-oriented, execute accountability system, strengthen settlement and collection and strictly control receivables. Moreover, it will reduce inventories of raw materials and finished products, spare parts, etc.

Secondly, it will continue to promote deep management integration. It will put more emphasis on lean production, delicacy management and management improvement and deepen “Three Five” management, especially “Five C” management. Also, it will continue to implement the principle of “simplified organization and capable personnel” and promote optimization of organization structure and the works on “Three Formulations”, which will increase labor productivity and management efficiency.

Thirdly, it will control its gearing ratio. It will strictly follow the principles on capital expenditure, steadily promote capital operation and innovate financing model to optimize debt structure and reduce financing cost.

OUTLOOK FOR 2015 *(CONTINUED)*

Fourthly, it will proceed with structural adjustment and transformation and upgrading. It will push the cement industry towards a "high-grade oriented, specialty oriented, ready-mixed concrete oriented and cement products oriented" direction, which will enhance the standards of relevant industries, including the cement and commercial concrete industries. On the other hand, it will speed up the development of the industrial layout of "new building materials, new homes and new energy materials". Besides, it will establish a new restructuring model of equity-participation, lease and entrustment that will consolidate its market shares. Furthermore, it will accelerate coverage extension to manufacture service industry from the manufacturing industry.

The Company consistently adhered to the governance concept of combining prescribed standards with practicality, pays close attention to regulatory changes and takes into account the development process, and improves the regulatory documents on corporate governance and ensures the continuous enhancement in corporate governance of the Company through revision of the existing system and the adoption of the new system. The Company under the guidance of the regulatory documents such as the Listing Rules, the Articles of Association of the Company, the Terms of Reference of the Audit Committee, the Terms of Reference of the Remuneration and Performance Appraisal Committee and the Terms of Reference of the Nomination Committee, the general meetings, the Board and the Supervisory Committee has clarified the rules of procedures, refined the management and control responsibilities, further broadened its forward-looking vision and improved the quality and efficiency of decision making on the firm basis of the existing governance structure enhancing the healthy operation of the Company.

During the year from 1 January 2014 to 31 December 2014,the Company complied with the code provision of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules except for Code Provision A.4.2. All the Directors last elected on 15 November 2011 were subject to retirement by rotation by 15 November 2014, according to Code Provision A.4.2 stating that every director should be subject to retirement by rotation at least once every three years. Ms. Cui Lijun, Mr. Qiao Longde, Mr. Li Decheng, and Mr. Ma Zhongzhi retired and were replaced by new Directors in October 2014. As this process involves the entire Board such that many factors have to be considered in ensuring the smooth continuation of the senior management of the Company, the Company has not yet completed the above process with regard to the rest of the Board.

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

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that each of the Directors has complied with the required standards regarding securities transactions by Directors set out in the Model Code and the Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

II. THE BOARD

During 2014, the Board of the Company held 7 plenary Board meetings to consider and determine various matters including general corporate strategy, major investment and financing activities and major adjustments of the personnel system. All Directors attended the meetings in person or by proxy. The management is responsible for the implementation of strategies and administration work related to daily operations.

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

Position	**Name**	**Attendance rate** *(%)*	**Meetings attended/held**
Incumbent Directors			
Executive Director *(Chairman of the Board)*	Song Zhiping	100	7/7
Executive Director	Cao Jianglin	100	7/7
Executive Director	Peng Shou	100	7/7
Executive Director	Cui Xingtai	100	7/7
Executive Director	Chang Zhangli	100	7/7
Non-executive Director	Guo Chaomin	100	7/7
Non-executive Director	Huang Anzhong	100	7/7
Non-executive Director	Tao Zheng	100	3/3[1]
Independent Non-executive Director	Shin Fang	100 (14.3 of which by proxy)	6/7(the remaining one was attended by proxy)[2]
Independent Non-executive Director	Tang Yunwei	100	3/3[1]
Independent Non-executive Director	Zhao Lihua	100	3/3[1]
Independent Non-executive Director	Wu Liansheng	100	7/7
Independent Non-executive Director	Sun Yanjun	100	3/3[1]
Leaving Directors			
Non-executive Director	Cui Lijun	100 (25 of which by proxy)	3/4(the remaining one was attended by proxy)[1,3]
Independent Non-executive Director	Qiao Longde	100	4/4[1,4]
Independent Non-executive Director	Li Decheng	100	4/4[1,4]
Independent Non-executive Director	Ma Zhongzhi	100	4/4[1,4]

II. THE BOARD *(CONTINUED)*

Note:

1. Ms. Cui Lijun, the former non-executive director, Mr. Qiao Longde, Mr. Li Decheng and Mr. Ma Zhongzhi, the former independent non-executive directors, resigned as directors of the Company. At the ninth meeting of the third session of the Board and the 2014 Second Extraordinary General Meeting, Mr. Tao Zheng, a non-executive director, Mr. Tang Yunwei, Mr. Zhao Lihua and Mr. Sun Yanjun, the independent non-executive directors, were elected as Board members of the Company. For details on the resignations of the above Directors, please refer to the announcements of the Company dated 25 March 2014 and 30 May 2014, and for details on the election of the above directors, please refer to the announcements of the Company dated 22 August 2014 and 17 October 2014. By the end of 2014, upon the election of the above four directors as Board members of the Company, the Company only convened three directors' meeting.

2. Mr. Shin Fang, an independent non-executive Director of the Company, appointed Mr. Tang Yunwei, an independent non-executive Director of the Company, as his proxy to attend the tenth interim meeting of the third session of the Board, and authorized him to exercise the right to vote at the meeting.

3. During the term of office of Ms. Cui Lijun as a non-executive Director, the Company convened four directors' meeting in 2014. Ms. Cui Lijun, a non-executive Director of the Company at that time, appointed Mr. Guo Chaomin, a non-executive Director of the Company, as her proxy to attend the ninth meeting of the third session of the Board, and authorized him to exercise the right to vote at the meeting.

4. During the terms of office of Mr. Qiao Longde, Mr. Li Decheng and Mr. Ma Zhongzhi as independent non-executive Directors of the Company, the Company convened four directors' meeting in 2014.

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

III. FUNCTIONS AND OPERATION OF THE BOARD

The Board of the Company is elected by shareholders at general meeting and reports to general meeting. The Board is the highest decision-making authority during the adjournment of the general meeting. The Board is responsible for the unified administration and supervision of the corporate operation matters, acts with objectivity, performs duties with diligence, makes decisions efficiently and protects the best interests of the shareholders and the Company. The Board makes decisions on certain significant matters in the operation of the Company, including formulating the business plans and investment proposals of the Company; formulating the annual preliminary and final financial budgets of the Company; formulating the profit distribution plan of the Company (including final dividends distribution plan) and the proposal for making up for losses; formulating the debt and financial policies and proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures; preparing material acquisition or disposal proposals of the Company and plans for the merger, division or dissolution of the Company; determining the Company's internal management structure; determining the appointment or removal of the general manager of the Company and the appointment or removal of the vice general manager and the chief financial officer subject to the nomination of the general manager and determining their remuneration; formulating the basic management systems including the financial management and personnel management systems; and formulating the revision plan for the Articles of Association. The Directors were elected and the board meetings were held in compliance with the procedures provided for in the Company's Articles of Association. All Directors are able to understand the operation status of the Company in a timely manner, thoroughly communicate with each other in respect of and consider significant matters of the Company, seek independent professional advice when appropriate, prudently determine the development plan of the Company, carefully arrange the management system and strive for long-term benefits of the Company. The Board authorizes the management to implement specific matters and report to the Board. The management of the Company is responsible for coordinating and guiding the Company's routine management, administration and operation, abstracting and preparing working reports for significant events for submission to the Board for review in accordance with the Articles of Association.

The Company has established a system of independent Directors. There are five independent non-executive Directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive Directors to be independent from the Company, its substantial shareholders and the respective connected persons of the above entities, have no financial or other interests in the above entities that may affect his/her independence and in full compliance with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Tang Yunwei and Mr. Wu Liansheng, independent non-executive Directors of the Company, have appropriate accounting and financial management expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for Mr. Tang Yunwei and Mr. Wu Liansheng's biographies. The five independent non-executive Directors do not hold other positions in the Company. They protect the interests of the minority shareholders independently and objectively so as to duly serve their roles, and provide checks and balances in the decision-making process of the Board according to the Articles of Association of the Company and the requirements of the relevant laws and regulations.

IV. DIRECTOR'S CONTINUOUS TRAINING AND DEVELOPMENT

In compliance with the Listing Rules and the Code and to ensure that the Directors have comprehensive and necessary expertise and skills to make contribution to the Board, the Company has arranged and funded suitable training for the continuous professional development of the Directors such as holding seminars, providing them with learning materials and arranging for the attendance of training courses organized by regulatory bodies. In the light of the amendments to the provisions under the Listing Rules in relation to the definition of connected persons and associates in 2014, the Company has conducted analysis and explained to directors the relevant amendments to enable the Directors to understand the regulatory changes on a timely and accurate manner so that they can perform their duties in compliance with the relevant legal and regulatory requirements. To continuously improve the management standard and optimize the standardized operation of the Company, the Company arranged for the Directors to participate in comprehensive trainings regarding corporate governance, disclosure obligation of the Company, Model Code for Securities Transactions by Directors and securities interests disclosure and so forth in 2014. In addition, the Company provided monthly macroeconomic and capital market research in 2014 to the Directors to ensure that they were informed of macro information about the operational environment of the Company. The continuous and effective trainings helped enhance the Directors' understanding of their duties so that they can make appropriate and informed decisions on the Company's management based on more accurate understanding of the relevant laws and regulations and the industry's development. All Directors (including incumbet directors, Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Huang Anzhong, Mr. Tao Zheng, Mr. Shin Fang, Mr. Tang Yunwei, Mr. Zhao Lihua, Mr. Wu Liansheng, Mr. Sun Yanjun, and leaving directors, Ms. Cui Lijun, Mr. Qiao Longde, Mr. Li Decheng, Mr. Ma Zhongzhi) of the Company have attended relevant trainings during their term of office, and have been provided with the above-mentioned training materials through which their knowledge and skills were further developed and refreshed leading to more constructive and professional opinions from the Directors and therefore ensuring that their contribution to the Board remains informed and relevant.

V. CHAIRMAN AND THE PRESIDENT

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

VI. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

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

VII. SPECIAL COMMITTEES UNDER THE BOARD

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

THE STRATEGIC STEERING COMMITTEE

Members

As Mr. Qiao Longde, a former independent non-executive director, resigned as a director and member of the Strategic Steering Committee, Mr. Sun Yanjun was elected to be a member of the Strategic Steering Committee of the Company at the tenth meeting of the third session of the Board held on 17 October 2014 to fill the vacancy. Currently, the Strategic Steering Committee of the Company comprises two executive Directors and one independent non-executive Director, of whom Mr. Song Zhiping is the chairman and both Mr. Sun Yanjun and Mr. Cao Jianglin are members. In particular, Mr. Song Zhiping and Mr. Cao Jianglin are executive Directors and Mr. Sun Yanjun is an independent non-executive Director. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Strategic Steering Committee of the Company.

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

THE STRATEGIC STEERING COMMITTEE *(CONTINUED)*

Duties and Summary of the Work

The Strategic Steering Committee of the Company is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investment and financing plans and other material matters that may affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investment plans under the authorisation of the Board; and making recommendations to the Board. The Strategic Steering Committee held one meeting with full attendance in 2014.

Set out below is a summary of work of the Strategic Steering Committee of the Company during 2014:

The second meeting of the third session of the Strategic Steering Committee of the Board considered and approved the proposals in relation to the duties and procedure of the Strategic Steering Committee, the operation of the Company for the year 2013 and work arrangements for the year 2014.

THE NOMINATION COMMITTEE

Members

As Mr. Qiao Longde and Mr. Li Decheng, the former independent non-executive directors, resigned as directors and members of the Nomination Committee, Mr. Tang Yunwei and Mr. Zhao Lihua were elected to be members of the Nomination Committee of the Company at the tenth meeting of the third session of the Board held on 17 October 2014 to fill the vacancy, with Mr. Tang Yunwei as the chairman of the Nomination Committee. Currently, the Nomination Committee of the Company comprises one executive Director and two independent non-executive Directors, of whom Mr. Tang Yunwei is the chairman and both Mr. Zhao Lihua and Mr. Song Zhiping are members. In particular, Mr. Tang Yunwei and Mr. Zhao Lihua are independent non-executive Directors and Mr. Song Zhiping is an executive Director. Such composition is in compliance with the requirements under the Code. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Nomination Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

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

THE NOMINATION COMMITTEE *(CONTINUED)*

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating procedures and standards for electing the Directors of the Company, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors designated to the wholly-owned subsidiaries of the Company; formulating standards for the directors or supervisors designated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of the Directors, senior management members as well as members of the Remuneration and Performance Appraisal Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors designated to the wholly-owned subsidiaries of the Company or the directors or supervisors designated or recommended to the controlled subsidiaries of the Company based on the nominations of the chairman of the Board and assisting the chairman of the Board on submitting relevant matters to the Board. After the Stock Exchange's adoption of the Code provision in relation to the board diversity policy which became effective on 1 September 2013, the Company has formulated its board diversity policy after reviewing the new requirements, and the policy was duly adopted by the Nomination Committee on 29 November 2013. The Company is committed to improving the corporate governance of the Company. The Company insists on hiring employees based on their competence. In selecting appropriate members to the Board, the Company considers factors such as a diversity of skills, professional and industry experience, cultural and educational background, ethnicity, length of service, gender and age based on objective standards. It also takes into account the Company's business model and specific needs from time to time. Pursuant to that policy, current members of the Board possess different professional background. Each of them has accumulated over 10 years of experience in areas such as building materials, business management, securities regulation, capital operation, accounting rules and corporate finance providing diversified perspectives for the strategic decisions of the Board and professional opinions for formulating operation policies of the Company. The committee held two meetings with full attendance in 2014.

Set out below is a summary of work of the Nomination Committee of the Company during 2014:

The third meeting of the third session of the Nomination Committee of the Board considered and approved the proposals in relation to the Board structure and the independence of the independent non-executive Directors. The fourth meeting of the third session of the Nomination Committee of the Board considered and approved three proposals in relation to the election for the Board's vacancy, appointment of the vice president of the Company and designation of directors to subsidiaries.

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

THE REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE

Members

As Mr. Li Decheng, a former independent non-executive director, resigned as a director and member of the Remuneration and Performance Appraisal Committee, Mr. Zhao Lihua was elected to be a member of the Remuneration and Performance Appraisal Committee of the Company at the tenth meeting of the third session of the Board held on 17 October 2014 to fill the vacancy. Currently, the Remuneration and Performance Appraisal Committee of the Company comprises one executive Director and two independent non-executive Directors, of whom Mr. Shin Fang is the chairman and both Mr. Zhao Lihua and Mr. Song Zhiping are members. In particular, Mr. Shin Fang and Mr. Zhao Lihua are independent non-executive Directors and Mr. Song Zhiping is an executive Director. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Remuneration and Performance Appraisal Committee (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and the Summary of the Work

The Remuneration and Performance Appraisal Committee of the Company is responsible for recommending and reviewing the specific remuneration and the performance of the Directors and the senior management based on the remuneration and performance management policies and framework pertaining to the Directors and the senior management which are formulated by the Board. The Remuneration and Performance Appraisal Committee makes recommendations to the Board in respect of the remuneration of the Directors and the senior management members. Remuneration of the Directors will be submitted for the consideration and approval of the Board. After the approval of the Board, the remuneration of the Directors will then be submitted for approval at the general meeting. The remuneration of the senior management members is considered and approved by the Board. The annual remuneration of the senior management members comprises four components including basic salary, performance-based salary, special rewards and share appreciation rights. The basic salary is determined by taking into consideration their positions, responsibility, competence and market rates. The performance-based salary is determined on the basis of assessment of economic responsibility. The special rewards are granted to those who have made prominent contributions to the Company’s results or in certain material aspects. The share appreciation rights are granted under the Company’s Share Appreciation Rights Proposal. The committee held one meeting with full attendance in 2014.

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

THE REMUNERATION AND PERFORMANCE APPRAISAL COMMITTEE *(CONTINUED)*

Duties and the Summary of the Work *(Continued)*

Set out below is a summary of work of the Remuneration and Performance Appraisal Committee of the Company during 2014:

The third meeting of the third session of the Remuneration and Performance Appraisal Committee of the Board considered and approved the remuneration proposals for senior management members of the Company for 2013.

The fees for the Directors of the third session of the Board and the supervisors of the third session of Supervisory Committee are still subject to the standards for the last year.

THE AUDIT COMMITTEE

Members

As Ms. Cui Lijun, a former non-executive director, and Mr. Ma Zhongzhi, a former independent non-executive director, resigned as directors and members of the Audit Committee, Mr. Tang Yunwei and Mr. Sun Yanjun were elected to be members of the Audit Committee of the Company at the tenth meeting of the third session of the Board held on 17 October 2014 to fill the vacancy. Currently, the Audit Committee of the Company comprises three independent non-executive Directors, of whom Mr. Wu Liansheng is the chairman and both Mr. Tang Yunwei and Mr. Sun Yanjun are members. Among them, Mr. Wu Liansheng and Mr. Tang Yunwei possess professional qualifications and experience in accounting and related financial management. Such composition is in compliance with the requirements under the Listing Rules. The duties and the working system of the committee are explicitly specified in the Terms of Reference of the Audit Committee of the Company (which are accessible on the websites of the Company and the Stock Exchange), pursuant to which, the chairman of the committee must be an independent non-executive Director.

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

THE AUDIT COMMITTEE *(CONTINUED)*

Duties and Summary of the Work

The specific duties of the Audit Committee include making recommendations in relation to the appointment of external auditors by the Board and supervising their work; supervising the Company's financial reporting procedures as well as the financial control system; supervising the Company's internal control and reviewing its results; reviewing the operating, financial and accounting policies and practice of the Company; formulating and reviewing the corporate governance policy and practice of the Company and reviewing the Company's compliance with the Code and its disclosures in the Corporate Governance Report; reviewing and supervising the Company and its Director's and senior management's compliance with the requirements of laws and regulations; reviewing and supervising the Directors' and senior management's professional ethics, trainings and continuous professional development. In 2014, the Audit Committee held two meetings, both with full attendance. The recommendations of the Audit Committee have been presented to the Board for review and action.

Set out below is a summary of work of the Audit Committee during 2014:

During the reporting period, the Audit Committee has operated in accordance with the Code. The Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, among others, the issuance of interim and annual results and the review of the financial control system, the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2013 and the interim financial report for 2014. The committee further urged the Company to integrate and optimize its internal control systems in accordance with the key audit work of the Company to ensure that it is able to control the risk of operation management and business development. It performed the duties of corporate governance pursuant to the Terms of Reference of the Audit Committee. The committee provided suggestions to the Board on the improvement of the Company's policies and practices as well as the continuous development of the senior management. As at the date of the report, the Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2014.

In addition, the Board is responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the financial position of the Group. The Board has urged the management to provide important materials concerning the Company's operation. Taking into consideration the macroeconomic situation and the development of the industry, the Board has given an objective and balanced evaluation and made strategic decisions on the interim and annual financial performance, significant investment and financing plans, the creation of systematic regulatory structure and risk control. It also supervised and directed the management to implement specific plans and broadened the channels for the Company's development, endeavoring to safeguard the Shareholder's interests. The reporting responsibilities of external auditors are set out in the Independent Auditor's Report of the annual report.

VIII. NOMINATION OF DIRECTORS

Pursuant to the Articles of Association and the Term of Reference of the Nomination Committee, the election and the change of Directors shall be considered by the shareholders at the general meetings. The Company's requests for new directors shall first be studied by the Nomination Committee. The Committee may conduct extensive searches for qualified candidates for directorship in the Company, companies controlled or invested by the Company, the human resources market and through other channels. It will then review the candidates' specific qualification after seeking consent from the candidates. The committee makes recommendations and submits relevant materials to the Board after the review. The Board will then shortlist the candidates for submission to the general meeting for consideration. Shareholders holding in aggregate 5% or more of the Company's shares which carry voting rights may nominate directors to the Board directly and the Nomination Committee will then put forward the proposal to the general meeting for consideration. The election of the new Directors is subject to the approval of the shareholders holding more than half of the total voting shares or the independent representatives of the shareholders present at the general meeting.

The Parent nominated Mr. Tao Zheng, Mr. Tang Yunwei, Mr. Zhao Lihua and Mr. Sun Yanjun as candidates for directors. Among which, Mr. Tao Zheng is a candidate for non-executive director, Mr. Tang Yunwei, Mr. Zhao Lihua and Mr. Sun Yanjun are candidates for independent non-executive directors. Upon approval by the Nomination Committee based on certain standards and criteria, the abovementioned candidates are qualified as directors of the Company. Relevant resolutions in relation to the election of such candidates as directors of the Company were approved at the ninth meeting of the third session of the Board held on 22 August 2014 and the 2014 Second Extraordinary General Meeting held on 17 October 2014.

IX. AUDITORS' REMUNERATION

At the eighth meeting of the third session of the Board of the Company convened on 25 March 2014, the Directors resolved to propose to the general meeting the appointment of Baker Tilly HK and Baker Tilly China as the overseas and domestic auditors of the Company for 2014 respectively. The Board was authorized by the annual general meeting convened on 23 May 2014 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB13.9 million was paid by the Company to the auditors for their professional audit services.

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

X. COMPANY SECRETARY

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

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

XI. SHAREHOLDERS AND GENERAL MEETINGS

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

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

At the 2014 First Extraordinary General Meeting held on 17 January 2014, four special resolutions in relation to the amendments to the articles of association of the company, the adoption of rules of procedure for shareholders' meeting, Board meeting and supervisory committee's meeting were considered and approved. At the Annual General Meeting of 2013 held on 23 May 2014, six ordinary resolutions and two special resolutions in relation to the granting of a mandate to the Board to issue shares of the Company and in relation to the issue of debt financing instruments were considered and approved. At the 2014 Second Extraordinary General Meeting held on 17 October 2014, six ordinary resolutions in relation to the election for the vacancy of directors and supervisors and the remuneration thereof were considered and approved.

According to the Articles of Association, the Directors may attend the general meetings of the Company and are entitled to sign on the minutes containing the resolution(s) relating to the issue(s) discussed in the meeting(s) they attended. In 2014, the Company held three general meetings and all directors have attended all the general meetings held during their term of office.

XII. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

XIII. INTERNAL CONTROL

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

At the extraordinary general meeting held on 17 January 2014, the amendments to the Articles of Association were approved with the Rules of Procedure for Shareholders' General Meetings, the Rules of Procedure for Board Meetings and the Rules of Procedure for Supervisory Committee Meetings adopted as appendices. The establishment of the above system closely relates to the existing operation of the Company and truthfully reflects the development of laws and regulations, which facilitates the standard operation of the general meetings, the Board and the Supervisory Committee and ensures the smooth operation of the internal control system of the Company. The Company has established a business process-oriented management system covering the management personnel and each of the departments. In addition, the Company has further improved the efficiency and performance of various operations as a result of its efforts on standardizing relevant procedures and key control areas. Through a series of internal control work such as the specific audit and the research and evaluation of the internal control, and by focusing on the budget estimates of construction projects and the final accounting after completion, the Company has strived to control the investment amount, improve the efficiency of capital use and reduce the construction costs in order to strengthen market competitiveness of products and further enhance the standard of the internal control, financial control and risk management. In addition to the preparation of the comprehensive risk management report, the Company has established a risk management mechanism which involves the identification and assessment of risks, prevention and rectification as well as post evaluation, thereby mitigating the major and material risks during the development process and facilitating the robust growth of the Company.

XIII. INTERNAL CONTROL *(CONTINUED)*

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

XIV. INVESTOR RELATIONS

The Company highly regards the investors' rights and interests. Therefore, the Company has established the Secretariat of the Board to be responsible for the management of investor relations in order to improve the management system of investor relations, to clarify the duties of investor relations management, and to establish the multi-channel communication mechanism at multiple levels and in multiple forms. During the reporting period, the Company communicated with investors by convening general meetings, arranging non-deal roadshows, participating in investor conferences, receiving investors' visits, arranging telephone conferences and conducting on-site surveys etc. Information disclosures were made as appropriate and a fair and transparent investment platform for the general investors was provided to improve the transparency of the Company. During the reporting period, the Company has strived for management enhancement. Through strengthening the management of investor relations, the standard of standardized management and corporate governance has been further enhanced.

During the reporting period, the Company has made partial amendments to the Articles of Association. The amendments to the Articles of Association were considered and approved at the extraordinary general meeting held on 17 January 2014. The amendments involve, among other things, the change of the Company's registered address, the number of Board meetings and the way of participating in the Board meetings, the attendance of supervisory proxies, the statements about public welfare fund and common reserve fund and supplementing the Articles of Association with the Rules of Procedure for Shareholders' General Meetings, the Rules of Procedure for Board Meetings and the Rules of Procedure for Supervisory Committee Meetings as appendices. The details of the amendments were disclosed in the announcement dated 17 January 2014 of the Company.

XIV. INVESTOR RELATIONS *(CONTINUED)*

Shareholder(s) may put forward any enquiries in writing to the Board of the Company. Shareholder(s) should send the duly signed written requisition, notice, statement or enquiry letter (as the case may be) to the registered address of the Company or the place of representative office in Hong Kong, and provide their full name, contact details and identification. Shareholders' information may be disclosed as required by laws and regulations. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send the documents as mentioned above to the following addresses:

Address:	**Principal Place of Business:**
	21st Floor, Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC
	Place of Representative Office in Hong Kong:
	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Fax:	010-68138388
Email:	cnbmltd@cnbm.com.cn

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2014 to its shareholders.

PRINCIPAL BUSINESS

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

RESULTS

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

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB890,839,333.23 in total (pre-tax) for the period from 1 January 2014 to 31 December 2014 (2013: RMB863,844,201.92 in total (pre-tax)) for Shareholders whose names appear on the Company's register of members on Wednesday, 3 June 2015, representing RMB0.165 per share (pre-tax) (2013: RMB0.160 per share (pre-tax)) based on 5,399,026,262 shares in issue as at Friday, 27 March 2015, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information for inclusion in this report. The final amount of the dividend per share will be determined based on the number of shares of the Company in issue as at 3 June 2015.

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

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 22 May 2015.

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the year ended 31 December 2014 to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on Wednesday, 3 June 2015.

DIVIDENDS *(CONTINUED)*

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for the Company's individual H Share shareholders whose names appear on the register of members of H shares of the Company (the "Individual H Share Shareholders"). Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Share shareholders according to their registered address on the H share register of members of the Company on Wednesday, 3 June 2015 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Share shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

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

- for Individual H Share shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Share shareholders. If relevant Individual H Share shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法（試行）>的通知》國稅發[2009]124號) (the "Tax Treaties Notice") on or before Wednesday, 10 June 2015. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

DIVIDENDS *(CONTINUED)*

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

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

If the domicile of an Individual H Share shareholder is not the same as the Registered Address or if the Individual H Share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Share shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 10 June 2015. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Share shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 22 April 2015 to Friday, 22 May 2015 (both days inclusive), during which period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company whose transfers have not been registered shall lodge all the share transfer documents and relevant certificates with the Company's H Share registrar, Tricor Investor Services Limited for registration not later than 4:30p.m. on Tuesday, 21 April 2015 for share registration.

Shareholders whose names appear on the register of members on Wednesday, 3 June 2015 will be eligible for the final dividend. The register of members of the Company will be closed from Friday, 29 May 2015 to Wednesday, 3 June 2015 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at Tricor Investor Services Limited, the Company's H Share Registrar, not later than 4:30p.m. on Thursday, 28 May 2015 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Friday, 26 June 2015 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2015.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB126,019.3 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

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

CAPITALIZED INTERESTS

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

Share Capital Structure (as at 31 December 2014)

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

Substantial Shareholders (as at 31 December 2014)

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

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

DISCLOSURE OF INTEREST

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

So far as was known to directors or supervisors of the Company, as at 31 December 2014, the shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name of Substantial Shareholder	Class of Shares	Long/ short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%)[1,8]	Percentage of total share capital (%)[1, 8]
Parent	Domestic Shares	Long	Beneficial owner	666,962,522			
	Domestic Shares	Long	Interest of controlled corporation	1,714,459,536			
				2,381,422,058	2,3	94.50	44.10
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956	2	58.95	27.52
CNBM Trading	Domestic Shares	Long	Beneficial owner	227,719,530	2	9.04	4.22
Cinda	Domestic Shares	Long	Beneficial owner	138,432,308	3	5.49	2.56
JPMorgan Chase & Co.	H Shares	Long	Beneficial owner	53,286,037			
	H Shares	Long	Investment manager	17,528,000			
	H Shares	Long	Custodian	159,874,794			
				230,688,831	4	8.01	4.27
	H Shares	Short	Beneficial owner	6,015,701	4	0.20	0.11
	H Shares	Lending Pool	—	159,874,794	4	5.55	2.96
UBS AG	H Shares	Long	Beneficial owner	38,489,693			
	H Shares	Long	Person having a security interest	128,340,568			
	H Shares	Long	Interest of controlled corporation	5,577,000			
				172,407,261	5	5.98	3.19
	H Shares	Short	Beneficial owner	36,271,021			
	H Shares	Short	Interest of controlled corporation	1,026,000			
				37,297,021	5	1.29	0.69

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Name of Substantial Shareholder	Class of Shares	Long/ short position/ Lending Pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%)[1,8]	Percentage of total share capital (%)[1, 8]
UBS Group AG	H Shares	Long	Person having a security interest	128,340,568			
	H Shares	Long	Interest of controlled corporation	44,066,693			
				172,407,261	6	5.98	3.19
	H Shares	Short	Interest of controlled corporation	37,297,021	6	1.29	0.69
Citigroup Inc.	H Shares	Long	Interest of controlled corporation	18,433,411			
	H Shares	Long	Custodian	153,712,302			
	H Shares	Long	Person having a security interest	200,000			
				172,345,713	7	5.98	3.19
	H Shares	Short	Interest of controlled corporation	14,534,000	7	0.50	0.26
	H Shares	Lending Pool	—	153,712,302	7	5.33	2.84

Notes:

1. As at 31 December 2014, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

2. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by the Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through CNBM Trading. Under the SFO, the Parent is deemed to own the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

3. Pursuant to a share transfer agreement dated 31 December 2009 entered into between the Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to the Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between the Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to the Parent ("Second Transfer of Shares"). As the proposal in relation to bonus issue of shares on the basis of ten bonus shares for every ten shares held by shareholders of the Company was passed at the 2010 annual general meeting of the Company, the Parent and Cinda entered into a supplemental agreement to the aforesaid two share transfer agreements on 31 August 2012, whereby Cinda agreed to adjust the 61,800,137 Domestic Shares of the Company transferred to the Parent to 123,600,274 Domestic Shares. Consequently, under the SFO, the Parent was deemed to own 2,505,022,332 Domestic Shares (representing 99.41% in the domestic share capital and 46.39% in the total share capital) and Cinda was deemed to own 14,832,034 Domestic Shares (representing 0.58% in the domestic share capital and 0.27% in the total share capital). As at the date of this report, the formalities in respect of the share transfer registration of the aforementioned transactions of shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed.

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

4. JPMorgan Chase & Co. was deemed to hold interests in a total of 230,688,831 H Shares (long position) and 6,015,701 H Shares (short position) in the Company by virtue of its control over the following corporations, which held interests in the Company:

   4.1. J.P. Morgan Securities LLC held 2,903 H Shares (long position) and 1,701 H Shares (short position) in the Company. J.P. Morgan Securities LLC was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.2. J.P. Morgan Clearing Corp held 7,000 H Shares (long position) in the Company. J.P. Morgan Clearing Corp was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.3. JF Asset Management Limited held 15,926,000 H Shares (long position) in the Company. JF Asset Management Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.4. JPMorgan Asset Management (Taiwan) Limited held 1,270,000 H Shares (long position) in the Company. JPMorgan Asset Management (Taiwan) Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.5. J.P. Morgan Investment Management Inc. held 12,000 H Shares (long position) in the Company. J.P. Morgan Investment Management Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.6. J.P. Morgan Whitefriars Inc. held 34,340,618 H Shares (long position) and 4,556,000 H Shares (short position) in the Company. J.P. Morgan Whitefriars Inc. was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.7. J.P. Morgan Securities plc held 18,935,516 H Shares (long position) and 1,458,000 H Shares (short position) in the Company. J.P. Morgan Securities plc was owned as to 0.69% by J.P. Morgan Capital Financing Limited, which in turn was a wholly-owned subsidiary of JPMorgan Chase & Co., and 99.31% by J.P. Morgan Chase International Holdings, which in turn was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

   4.8. JPMorgan Chase Bank, N.A. held 159,874,794 H Shares (long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co..

   4.9. JPMorgan Asset Management (UK) Limited held 320,000 H Shares (long position) in the Company. JPMorgan Asset Management (UK) Limited was an indirect wholly-owned subsidiary of JPMorgan Chase & Co..

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

4. *(Continued)*

The entire interest and short position of JPMorgan Chase & Co. in the Company included a lending pool of 159,874,794 H Shares. Besides, 1,166,503 H Shares (long position) and 5,865,701 H Shares (short position) were held through derivatives as follows:

994,000 H Shares (long position) and 1,308,000 H Shares (short position)	—	through physically settled derivatives (on exchange)
3,976,000 H Shares (short position)	—	through cash settled derivatives (on exchange)
2,903 H Shares (long position) and 1,701 H Shares (short position)	—	through physically settled derivatives (off exchange)
169,600 H Shares (long position) and 580,000 H Shares (short position)	—	through cash settled derivatives (off exchange)

5. Of these 172,407,261 H Shares (long position) and 37,297,021 H Shares (short position), UBS AG was deemed to hold interests in a total of 5,577,000 H Shares (long position) and 1,026,000 H Shares (short position) by virtue of its control over the following wholly-owned subsidiaries, which held direct interests in the Company:

   5.1. UBS Fund Management (Switzerland) AG held 2,626,000 H Shares (long position) in the Company.

   5.2. UBS Global Asset Management (Hong Kong) Ltd held 1,226,000 H Shares (long position) and 1,026,000 H Shares (short position) in the Company.

   5.3. UBS Global Asset Management (Japan) Ltd held 69,000 H Shares (long position) in the Company.

   5.4. UBS Global Asset Management (Singapore) Ltd held 516,000 H Shares (long position) in the Company.

   5.5. UBS Global Asset Management (UK) Ltd held 302,000 H Shares (long position) in the Company.

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

5. *(Continued)*

5.6. UBS Global Asset Management (Australia) Ltd held 160,000 H Shares (long position) in the Company.

5.7. UBS Fund Services (Luxembourg) S.A. held 568,000 H Shares (long position) in the Company.

5.8. UBS Global Asset Management (Deutschland) GmbH held 110,000 H Shares (long position) in the Company.

The entire interest and short position of UBS AG in the Company included 1,031,862 H Shares (long position) and 36,271,021 H Shares (short position) holding through derivatives as follows:

391,720 H Shares (long position)	—	through physically settled derivatives (on exchange)
339,721 H Shares (short position)	—	through cash settled derivatives (on exchange)
6,125 H Shares (long position) and 9,218,364 H Shares (short position)	—	through physically settled derivatives (off exchange)
634,017 H Shares (long position) and 26,712,936 H Shares (short position)	—	through cash settled derivatives (off exchange)

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

6. Of these 172,407,261 H Shares (long position) and 37,297,021 H Shares (short position), UBS Group AG was deemed to hold interests in a total of 44,066,693 H Shares (long position) and 37,297,021 H Shares (short position) by virtue of its control of 96.64% equity interests over each of the following subsidiaries, which held direct interests in the Company:

    6.1. UBS AG held 38,489,693 H Shares (long position) and 36,271,021 H Shares (short position) in the Company.

    6.2. UBS Global Asset Management (Hong Kong) Ltd held 1,226,000 H Shares (long position) and 1,026,000 H Shares (short position) in the Company.

    6.3. UBS Global Asset Management (Japan) Ltd held 69,000 H Shares (long position) in the Company.

    6.4. UBS Global Asset Management (Singapore) Ltd held 516,000 H Shares (long position) in the Company.

    6.5. UBS Global Asset Management (UK) Ltd held 302,000 H Shares (long position) in the Company.

    6.6. UBS Global Asset Management (Australia) Ltd held 160,000 H Shares (long position) in the Company.

    6.7. UBS Fund Services (Luxembourg) S.A. held 568,000 H Shares (long position) in the Company.

    6.8. UBS Global Asset Management (Deutschland) GmbH held 110,000 H Shares (long position) in the Company.

    6.9. UBS Fund Management (Switzerland) AG held 2,626,000 H Shares (long position) in the Company.

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

6. *(Continued)*

The entire interest and short position of UBS Group AG in the Company included 1,031,862 H Shares (long position) and 36,271,021 H Shares (short position) holding through derivatives as follows:

391,720 H Shares (long position)	—	through physically settled derivatives (on exchange)
339,721 H Shares (short position)	—	through cash settled derivatives (on exchange)
6,125 H Shares (long position) and 9,218,364 H Shares (short position)	—	through physically settled derivatives (off exchange)
634,017 H Shares (long position) and 26,712,936 H Shares (short position)	—	through cash settled derivatives (off exchange)

7. Citigroup Inc. was deemed to hold interests in a total of 172,345,713 H Shares (long position) and 14,534,000 H Shares (short position) in the Company by virtue of its control over the following indirect wholly-owned subsidiaries, which held direct interests in the Company:

7.1. Citigroup Global Markets Hong Kong Limited held 3,248,405 H Shares (long position) and 5,875,000 H Shares (short position) in the Company.

7.2. Citigroup Global Markets Limited held 15,385,006 H Shares (long position) and 8,659,000 H Shares (short position) in the Company.

7.3. Citibank N.A. held 153,712,302 H Shares (long position) in the Company.

DISCLOSURE OF INTEREST *(CONTINUED)*

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

Notes: *(Continued)*

7. *(Continued)*

The entire interest and short position of Citigroup Inc. in the Company included a lending pool of 153,712,302 H Shares. Besides, 3,248,405 H Shares (long position) and 5,875,000 H Shares (short position) were held through derivatives as follows:

708,284 H Shares (long position) and 5,875,000 H Shares (short position)	—	through physically settled derivatives (off exchange)
2,540,121 H Shares (long position)	—	through cash settled derivatives (off exchange)

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

Save as disclosed above, as at 31 December 2014, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

II. Interests and Short Positions of Directors and Supervisors

As at 31 December 2014, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2014 ("securities" shall have the meaning as defined in the Listing Rules).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2014, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

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

RESERVES

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2014 were RMB3,273.8 million.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 141,813 employees.

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

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

SHARE APPRECIATION RIGHTS PLAN

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

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

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

The SA Rights vest at different amounts until the grantee has completed a specified period of service.

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

During the reporting period, there were no outstanding or unvested SA Rights and no SA Rights were granted.

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

Executive Directors:

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

Non-executive Directors:

Guo Chaomin	(appointed on 15 November 2011)
Huang Anzhong	(appointed on 10 March 2005)
Tao Zheng	(appointed on 17 October 2014)

Independent Non-executive Directors:

Shin Fang	(appointed on 15 November 2011)
Tang Yunwei	(appointed on 17 October 2014)
Zhao Lihua	(appointed on 17 October 2014)
Wu Liansheng	(appointed on 15 November 2011)
Sun Yanjun	(appointed on 17 October 2014)

Supervisors:

Wu Jiwei	(appointed on 15 November 2011)
Zhou Guoping	(appointed on 10 March 2005)
Wu Weiku	(appointed on 17 October 2014)
Liu Jianwen	(appointed on 17 October 2014)
Cui Shuhong	(appointed on 10 May 2005)
Liu Zhiping	(appointed on 30 June 2008)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

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

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Due to the resignation of Ms. Cui Lijun, Mr. Qiao Longde, Mr. Li Decheng and Mr. Ma Zhongzhi as directors of the Company and the resignation of Mr. Tang Yunwei and Mr. Zhao Lihua as supervisors of the Company, the Company considered and approved the followings at the 2014 Second Extraordinary General Meeting held on 17 October 2014: to elect Mr. Tao Zheng as a non-executive director of the Company, to elect Mr. Tang Yunwei, Mr. Zhao Lihua and Mr. Sun Yanjun as independent non-executive directors of the Company, to elect Mr. Wu Weiku and Mr. Liu Jianwen as independent supervisors of the Company. The term of office of such new directors and supervisors remains the same as the remaining term of office of the third session of the Board and of the supervisory committee.

As Mr. Li Yimin reached the appropriate age of retirement, he resigned as the vice president of the Company. At the ninth meeting of the third session of the Board held on 22 August 2014, a resolution was considered and approved in relation to the election of Mr. Zhang Jindong as the vice president of the Company. The term of office of the new vice president remains the same as the remaining term of office of the third session of the Board and the supervisory committee.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Partially Exempted Continuing Connected Transactions

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group

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

1. Master Purchase of Mineral Agreement

On 27 December 2013, the Company entered into a Master Purchase of Mineral Agreement with the Parent, for a term of three years commencing from 1 January 2014, whereby the Parent agreed to supply, or procure its subsidiaries to supply limestone and clay for the Company and its subsidiaries, to ensure supply of mineral ore for the Company's production for clinker and other cement products. The Parent and its subsidiaries shall supply to the Company and its subsidiaries limestone and clay from its quarries at the following basis of pricing:

(a) the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favourable than those sold by independent third parties to the Company or sold by the Parent to independent third parties.

For the year ended 31 December 2014, the Group's expenditure for ore supplied by the Parent Group was RMB30.5 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

2. Master Mutual Provision of Products and Services Agreement

On 27 December 2013, the Company entered into a Master Mutual Provision of Products and Services Agreement with the Parent for a term of three years commencing from 1 January 2014, pursuant to which:

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

- Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials); and
- Services: equipment repair, design and installation, property management services; technology services and other services;

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

- Product supplies: raw materials and commodities (including clinker, cement, lightweight building materials); and
- Services: supply of water, electricity and steam, etc.

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

(a) the prices prescribed by the price control authorities of the PRC;

(b) if no prices are prescribed by the price control authorities, the guided prices issued by the relevant PRC authorities;

(c) if no prices are prescribed by the price control authorities and no guided prices are issued by the relevant PRC authorities, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets;

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

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

(d) if none of the prices mentioned above is applicable, the prices will be deemed to be the reasonable costs incurred in providing the same products and services plus a profit margin of not more than 5% over such costs. The prices for water, electricity and steam are currently prescribed by the government.

For the year ended 31 December 2014, the Group's expenditure for the products and services provided by the Parent Group was RMB228.7 million.

For the year ended 31 December 2014, the Group's revenue from the product supplies and services provided to the Parent Group was RMB5.4 million.

3. Master Purchase of Equipment Agreement

On 27 December 2013, the Company entered into a Master Purchase of Equipment Agreement with the Parent for a term of three years commencing from 1 January 2014, whereby the Parent agreed to supply, or procure its subsidiaries to supply, roller presses, waste heat generators and other auxiliary facilities to the Company and its subsidiaries in order to satisfy the operational needs of the Company and its subsidiaries. The Parent and its subsidiaries shall supply to the Company and its subsidiaries equipment at the following basis of pricing:

(a) the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not less favourable than those sold by independent third parties to the Company or sold by the Parent to independent third parties.

For the year ended 31 December 2014, the Group's expenditure for equipment supplied by the Parent Group was RMB43.8 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions with the Parent Group *(Continued)*

4. Master Provision of Engineering Services Agreement

On 27 December 2013, the Company entered into a Master Provision of Engineering Services Agreement with the Parent, for a term of three years commencing from 1 January 2014, whereby the Company agreed to supply, or procure its subsidiaries to supply engineering design, construction and supervisory and other services to the Parent and its subsidiaries. The Company and its subsidiaries shall supply to the Parent and its subsidiaries engineering services at the following basis of pricing:

(a) the relevant guided prices issued by the PRC government (i.e. the price falls within the range as permitted by applicable laws and regulations of the PRC and agreed between both parties);

(b) if no guided prices are issued by the PRC government, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets;

(c) if no guided prices are issued by the PRC government and there is no market price, the price for equivalent project services based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to the Parent Group than those offered by independent third parties to the Parent Group or offered by Group to independent third parties;

(d) if the contract is granted by way of tender, the price should be determined in accordance with the procedures of the regulatory authority for the tender in the place of the construction project.

For the year ended 31 December 2014, the Group's revenue for engineering services provided to the Parent Group was RMB429.2 million.

Transactions Between North Cement and Jingang Group

As Jingang Group holds a 20% equity interest in North Cement and North Cement is a subsidiary of the Company, therefore Jingang Group and its subsidiaries are connected persons of the Company pursuant to the Listing Rules.

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions Between North Cement and Jingang Group *(Continued)*

Master Agreement on Sale of Products

On 27 December 2013, North Cement, a 70% held subsidiary of the Company, entered into the Master Agreement on Sale of Products covering the period from 1 January 2014 to 31 December 2016 with Jingang Group, pursuant to which North Cement and its subsidiaries agreed to sell certain products to Jingang Group and its subsidiaries. The products included ultra-fine powder/slag, clinker and cement. The prices of the products under the agreement would be determined based on the following priorities:

(a) the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets; and

(b) the price based on the actual costs incurred plus a reasonable profit margin with reference to the general range of profit in the industry, and will be determined on terms not more favourable to Jingang Group than those offered by independent third parties to Jingang Group or offered by North Cement to independent third parties.

For the year ended 31 December 2014, the Group's revenue from the provision of products to Jingang Group and its subsidiaries (including ultra-fine powder/slag, clinker and cement) was approximately RMB7.6 million.

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Partially Exempted Continuing Connected Transactions *(Continued)*

Transactions Between North Cement and Jingang Group *(Continued)*

Master Agreement on Sale of Products *(Continued)*

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

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

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

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

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

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

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

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

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

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

PARTIALLY-EXEMPTED CONNECTED TRANSACTIONS

For the year 2014 and up to the date of this report, the Company entered into the following partially-exempted connected transactions:

Capital contribution to Zhongfu Shenying

On 25 September 2014, China Composites, Lianyungang Yingyou Textile Machinery Co., Ltd. ("Yingyou Textile Machinery"), Jiangsu Aoshen Group Corporation Limited and CNBM Investment Co., Ltd. ("CNBM Investment", a 100% directly-held subsidiary of the Parent) entered into the Capital Contribution Agreement, pursuant to which, it has been agreed that CNBM Investment (as a new shareholder) and Yingyou Textile Machinery shall make a capital contribution to Zhongfu Shenying (a 51% indirectly-held subsidiary of the Company through China Composites) in cash. The registered capital of Zhongfu Shenying would be increased from RMB270,002,900 to RMB507,749,807. Upon completion of the capital contribution, the shareholding of China Composites in Zhongfu Shenying will decrease to 27.12% and the shareholding of CNBM Investment in Zhongfu Shenying will be 37.30%. Such dilution of China Composites' interest in Zhongfu Shenying will constitute a deemed disposal of Zhongfu Shenying under Rule 14.29 of the Listing Rules. Zhongfu Shenying will cease to be a subsidiary of the Company. The Group does not expect to accrue any gain or loss in respect of the above deemed disposal.

Details on the capital contribution to Zhongfu Shenying were disclosed in the announcement of the Company dated 25 September 2014. Up to the date of this report, the above said capital contribution to Zhongfu Shenying has completed.

NON-COMPETITION AGREEMENT

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

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2014, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

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

AUDITORS

At the Board meeting held on 25 March 2014, pursuant to the authorisation granted at the 2013 AGM held on 23 May 2014 the Board determined to continue to engage Baker Tilly HK and Baker Tilly China as international and domestic auditors of the Company respectively, to hold office until the date of convening the 2014 annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

By order of the Board
Song Zhiping
Chairman of the Board

Beijing, the PRC
24 March 2015

Report of the Supervisory Committee

Dear shareholders,

During the reporting period, to carry out the duties as authorized under the Company Law and the Articles of Association of the Company so as to protect the interests of the Company and its shareholders, all members of the third session of the supervisory committee of the Company (the "Supervisory Committee"), had truthfully, diligently and responsibly carried out effective supervision over the operational management, financial position and information disclosures as well as the performance of duties by the Directors and senior management of the Company for the year.

During the reporting period, the Supervisory Committee held a total of two meetings and attended all the Board meetings. The Supervisory Committee has reviewed the Supervisory Committee Working Report of the Company for 2013, the auditor's report and audited financial statements of the Group for 2013, the profit distribution plan and the final dividend distribution plan for 2013, the interim financial report and results announcements for 2014, the interim auditor's report and the audited financial statements for 2014, as well as the handling of interim dividends for 2013, the election for the vacancy of the Supervisory Committee's members and other matters. The committee conducted compliance inspection on the implementation of the major operating guidelines, the fulfillment of financial targets, and the performance of duties and the main decision procedures of Directors and the senior management of the Company.

During the reporting period, through performing the supervisory role authorized by the Articles of Association, the Supervisory Committee is of the opinion that, the Board of the Company had strictly complied with the requirements of the Company Law, the Articles of Association of the Company and other relevant rules, regulations and systems, captured opportunities in the market and made reasonable decisions to make effective decisions and enhanced the implementation of the resolutions at the general meetings. In the process of operation management and decision making on investments, Directors and the senior management of the Company conscientiously implemented the laws and regulations of the State, the Articles of Association, resolutions passed at shareholders' general meetings and Board meetings. They have also discharged their duties with honesty, diligence and aspiration.

The supervisory committee reviewed the information disclosure position of the Company regularly or from time to time. It is of the view that the Company had complied with relevant requirements of the Listing Rules and other regulations; it performed well in information disclosures by disclosing appropriate information in a timely manner and the disclosed contents are truthful, accurate, complete, and effective, without false statements, misleading representations or material omission.

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

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

In face of the critical economic landscape and pressure in the industry for 2014, the Supervisory Committee is satisfied with the Company's achievement in all respect and economic benefit gained from overcoming difficulties, and is confident in the Company's prospects in 2015 onwards.

In 2015, the Supervisory Committee will stay vigilant to the development of the Company, perform its supervisory duties by adhering to the principle of honesty and diligence, closely monitor the development of the Company and fully develop the advantages of supervision to continuously improve the management of the Company, as well as concretely safeguard and guarantee the legitimate interests of the Company and its shareholders, in compliance with relevant laws, regulations and the Articles of Association of the Company.

Wu Jiwei
Chairman of the Supervisory Committee

Beijing, the PRC
24 March 2015

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, save for the gypsum board litigation in the United States (the "US") as disclosed below, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor were any of the directors, supervisors and senior management of the Group involved in any material litigation.

References are made to the Company's announcements dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015 in relation to the developments in the gypsum board litigation in the US. The motions made by Taishan Gypsum in respect of some of the gypsum board cases in the US to vacate the default judgment and the preliminary entry of the default order and to dismiss legal action on the ground that the US courts did not have personal jurisdiction had been dismissed. Taishan Gypsum did not agree that the US courts have jurisdiction and objected to the substantive disputes being heard by a court without jurisdiction, it has decided not to continue to participate in any gypsum board litigation brought against it in the US courts. As a result of Taishan Gypsum's failure to participate in a Judgment Debtor Examination held in the United States District Court of Eastern District of Louisiana (the "US District Court"), the US District Court held Taishan Gypsum in contempt of court imposing certain injunction on it and its affiliates (the "Contempt Order"). The Company has been informed by BNBM that Taishan Gypsum has subsequently engaged PRC and US lawyers to represent Taishan Gypsum to participate in the gypsum board litigation and defend in order to protect the interest of Taishan Gypsum. Taishan Gypsum has applied to the US District Court for the discharge of the Contempt Order. As Taishan Gypsym would only be allowed to participate in the litigation and defend its cases after the Contempt Order has been dismissed, Taishan Gypsum has paid the US District Court the penalty for contempt of court in the sum of US$40,000 and agreed to pay the plaintiff's attorney's fees in the sum of US$15,000. Furthermore, as the basis for the US District Court's Contempt Order was the non-participation by Taishan Gypsum in the Judgment Debtor Examination meeting following the default judgment in the Germano case, Taishan Gypsum has also agreed to pay US$2,758,356.52 under the default judgment in the Germano case together with interest accrued from May 2010. Taishan Gypsum has stated that its agreement to make the above payments is not to be taken as its acceptance of the content of the default judgment in the Germano case, and that the taking of such steps was simply to enable it to apply for the discharge of the Contempt Order and to participate in and defend the litigation of gypsum board cases after such discharge.

Separately, service of the summons in respect of the civil action initiated by Eduardo and Carmen Amorin individually and on behalf of all others similarly situated plaintiffs (the "Amorin Case") from the US District Court has been made on the Company through Beijing Supreme People's Court in China. The plaintiffs in the Amorin Case claimed damages of more than US$1,500 million against the defendants which included, among others, the Company, BNBM and Taishan Gypsum. In the light of the developments in the litigation, each of the Company and BNBM has engaged PRC and US lawyers respectively, who would represent the Company and BNBM respectively to participate in the gypsum board litigation and defend in order to protect the respective interest of the Company and BNBM. It is difficult to ascertain accurately the potential impact of the US gypsum board litigation on the Company. For details on this litigation, please refer to the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015. The Company will continue to monitor the progress of the US gypsum board litigation and will make further announcements if and when necessary in accordance with the regulatory requirements.

I. MATERIAL LITIGATION AND ARBITRATION *(CONTINUED)*

Immaterial litigation

In respect of immaterial litigation, the Company issued a voluntary announcement in relation to the completion of the subscription of the shares of Shanshui Cement and the relevant legal proceedings on 3 November 2014 and another voluntary announcement in relation to the update on legal proceedings on 26 January 2015, stating: a statement of claim was served on various defendants, including Shanshui Cement, the Company and other parties, through the Court by six individual minority shareholders (the plaintiffs) of China Shanshui Investment Company Limited (a controlling shareholder of Shanshui Cement) on 23 January 2015. According to statement of claim, the plaintiffs sought, amongst other reliefs, an order that the Subscription Agreement entered into between the Company and Shanshui Cement on 27 October 2014 and the relevant subscription of shares in Shanshui Cement by the Company be set aside. The Company is currently seeking legal advice on the statement of claim and the appropriate course of action in respect of the abovementioned action and is prepared to defend the allegations vigorously. For details on this litigation, please refer to the announcements dated 3 November 2014 and 26 January 2015. The Company will make further announcement(s) in respect of the above matters as and when appropriate.

Regarding another immaterial litigation, the Company issued a voluntary announcement on a litigation involving the Company and its subsidiaries on 29 January 2015, stating: certain creditors of Sichuan Zizhong Dongfanghong Cement Company Limited ("Dongfanghong") have initiated a total of 135 court proceedings against Dongfanghong, Zizhong Southwest, Southwest Cement and the Company (of which the Company is a plaintiff in some proceedings) involving a total amount of approximately RMB285 million. Zizhong Southwest and Southwest Cement have already settled the judgment debts, amounting to approximately RMB80 million in aggregate, in respect of some of the judgments made by the relevant court. Zizhong Southwest and Southwest Cement have, in respect of one of the judgments given by the Sichuan Higher People's Court (四川省高級人民法院), applied to the Supreme People's Court of the PRC for a retrial and have received an acceptance notice from the same court on 9 January 2015. Zizhong Southwest and Southwest Cement have initiated court and arbitration proceedings against Dongfanghong and its shareholders to recover its losses suffered as a result of the proceedings. For details on this litigation, please refer to the announcement of the Company dated 29 January 2015. The Company will continue to monitor the progress of the proceedings and will make further announcements if and when necessary.

II. MATERIAL TRANSACTIONS

During the reporting period, save for the connected transactions disclosed by the Group, there are no other material transactions.

DIRECTORS

Executive Directors

Mr. Song Zhiping, born in October 1956, is the chairman of the Board and an executive director of the Company. Mr. Song has over 30 years of experience in business and management in China's building material industry. He has served as the chairman of Parent since October 2005 and the chairman of the Board and executive director of the Company since March 2005. He served as the chairman of China United from March 2003 to February 2005 and the general manager of Parent from March 2002 to October 2005. He also served as the vice general manager and the vice general manager of general affairs of Parent from October 1995 to March 2002, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM and the chairman of BNBMG since January 1996. Mr. Song served several positions in BNBMG (both prior to and after its conversion) from September 1987 to July 2002, including the deputy director and the director of the factory, the general manager and the secretary to the Party Committee. Mr. Song has served as an external director and the chairman of China National Pharmaceutical Group Corporation form May 2009 to April 2014. Mr. Song received a bachelor's degree in polymer from Hebei University in September 1979 and received an MBA degree from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in May 2002. Mr. Song is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Song consecutively acts as the vice president of China Building Materials Industry Association (中國建築材料聯合會), the vice president of China Enterprise Confederation, the chairman of the board (主席團主席) of China Federation of Industrial Economics, the vice president of China's Listed Companies Association (中國上市公司協會), the vice president of China Logistics Alliance Network (中國物流與采購聯合會), the vice president of general affairs and head of the China Capital Entrepreneurs' Club (首都企業家俱樂部), a member of the China National MBA Education Supervisory Committee and the chairman of China Enterprise and Development Research Association (中國企業與發展研究會). Mr. Song was elected as the representative of the Eighteenth National Congress of Communist Party of China, and a Chinese professor of World Academy of Productivity Science in 2015. Mr. Song received a number of awards and titles for his management and entrepreneurial skills, including National Model Worker (全國勞動模範), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards" (第八屆全國優秀企業家金球獎), Management Elite Award (管理人物精英獎), one of the Top Ten Merger and Acquisition Businessmen in the PRC (中國十大併購人物), the Yuan Baohua Enterprise Management Gold Award (袁寶華企業管理金獎) and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章), the People with Outstanding Contribution to Social Responsibility Undertakings (人民社會責任傑出貢獻人物), the Golden Bauhinia Awards "Most Influential Leader" (中國證券金紫荊獎最「具影響力領袖獎」), The People of the Year in Chinese Economy (中國經濟年度人物獎), China Economic Leaders Award (華人經濟領袖獎), the "25 Most Influential Corporate Leaders" (最具影響力的25位企業領袖) as well as The Businessman of China of the Year by *Fortune Magazine* (財富年度中國商人), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果), etc..

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Mr. Cao Jianglin, born in September 1966, is the president and an executive director of the Company. Mr. Cao has nearly 25 years of experience in business and management in the building material industry. Mr. Cao has been a general manager of the Parent since April 2014, a director of China United and the chairman of the board of Southwest Cement since December 2011, the chairman of the supervisory committee of BNBM since September 2009, the chairman of North Cement since March 2009, the chairman of South Cement since September 2007, the chairman of the supervisory committee of BNBMG since August 2005, a director of Parent since October 2005, the chairman of the supervisory committee of China United from April 2005 to December 2011, the president and an executive director of the Company since March 2005. Mr. Cao was the chairman of BNBM from October 2004 to August 2009, the director of both China Composites and China Triumph since September 2004, the chairman of China Fiberglass (now China Jushi) since June 2002 and the chairman of CNBM Investment from March 2002 to August 2014. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the general manager assistant, the vice general manager and the vice chairman of BNBMG, the general manager assistant and the vice general manager of Parent, the president of BND Co., Limited (now CNBM Investment) and the general manager of China Fiberglass. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao is a researcher and was awarded a special grant of the government approved by the State Council. Mr. Cao was granted Model Worker of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果). He has been awarded the title of "The Best CEO" by *Institutional Investor* for three consecutive years.

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

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

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

Mr. Chang Zhangli, born in December 1970, is the vice president, a secretary to the Board and an executive director of the Company. Mr. Chang has nearly 20 years' experience in handling listing-related matters for listed companies, has participated in all major matters relating to the global offering of the shares of the Company and listing of shares of the Company on the Stock Exchange. Mr. Chang has served as the acting president of Southwest Cement since January 2015, and a director of China Triumph since October 2012, the director of China United and China Composites and the vice chairman of the board of Southwest Cement, an executive Director of the Company since November 2011 and a director of North Cement since March 2009, a director of BNBM since July 2008, a director of South Cement since September 2007, the vice president of the Company since August 2006, a director of China Fiberglass (now reamed as China Jushi) since July 2005, the secretary to the Board of the Company since March 2005 and a director of CNBM Investment since December 2000. From June 2000 to March 2005, Mr. Chang assumed in a number of key positions in BNBM, including the secretary to the board and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in July 2005. Currently, Mr. Chang serves as the vice president of the Listed Companies Association of Beijing. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors

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

Mr. Huang Anzhong, born in July 1963, is a non-executive director of the Company. Mr. Huang has nearly 30 years of experience in business and management in the building material industry. Mr. Huang has served as the chairman of CNBM Trading since January 2015, the vice general manager of Parent since December 2009, the non-executive director of the Company since March 2005 and the general manager of CNBM Trading from January 2005 to January 2015. Mr. Huang served as the supervisor of China Fiberglass from March 1999 to July 2005, the vice general manager and the general manager of China National Building Material & Equipment Import and Export Company from April 1996 to January 2005, Mr. Huang graduated with a bachelor's degree in engineering from Nanjing Institute of Chemical Technology in July 1985 and received an EMBA degree from Xiamen University in May 2005. Mr. Huang is a researcher and was awarded a special grant of the government approved by the State Council. Mr. Huang was once rewarded as the Working Model of China Central Enterprises.

Mr. Tao Zheng, born in February 1975, is a non-executive director of the Company. Mr. Tao has over 15 years of experience in corporate operation and management as well as handling matters of listed companies, with participation in various major matters relating to capital operation, merger and acquisition as well as reorganisation. Mr. Tao has been serving as a non-executive director of the Company since October 2014, a director, the general manager and deputy secretary of the party committee of BNBMG since July 2014. From August 2009 to July 2014, Mr. Tao acted as deputy general manager and secretary of the board of directors of China Fiberglass. From February 2005 to August 2009, Mr. Tao assumed a few important posts in BNBM including assistant general manager, general manager of the procurement department, secretary of the board of directors and so forth. From February 2001 to February 2005, Mr. Tao held several positions such as assistant president, general manager of the hardware business department and general manager of the general management department of BND Co., Limited (now CNBM Investment). Mr. Tao obtained a bachelor's degree of international trade from Nankai University in June 1997 and an MBA degree from Peking University in July 2009. Mr. Tao currently serves as the deputy chief secretary of the Listed Companies Association of Beijing, a member of Central Enterprises Youth Union and a director of China Youth Entrepreneurs Association.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors

Mr. Shin Fang, born in December 1941, is an independent non-executive director of the Company. He has extensive experience in business and management in respect of corporate management and capital operation and has been an independent non-executive director of the Company since November 2011. In May 2000, Mr. Fang established SF CAPITAL LTD., serving as its president, and he worked for GET MANUFACTURING INC. from January 1996 to May 2000 as its chairman. Mr. Fang has been the director of Chung Tak Lighting Control Systems (Guangzhou) Ltd. (廣州市中德電控有限公司) from August 1993 to January 2015 and the director of Yue-Sai Kan Cosmetics Ltd. (靳羽西化妝品有限公司) from July 1992 to December 2000. He served as the managing director of GENERAL ELECTRONICS (HK) LTD. from January 1969 to December 1995. Mr. Fang obtained a bachelor's degree in Physics from Rensselaer Polytechnic Institute in June 1964 and an MBA from Columbia University in US in June 1966.

Mr. Tang Yunwei, born in November 1944, is an independent non-executive director of the Company. He has extensive experience in corporate operation and financial management. Mr. Tang has been an independent non-executive director of the Company since October 2014 and an independent supervisor of the Company from November 2011 to October 2014 and served in Ernst & Young Da Hua as a senior consultant from December 2006 to December 2008. He has been the president of Shanghai Accounting Association (上海市會計學會) from 2002 to 2012 and served as the chief accountant in Ernst & Young Da Hua from January 2000 to December 2006. He has been the chairman of Shanghai Dahua Certified Public Accountants since January 2000 and served as a senior researcher in the International Accounting Standards Committee from March 1999 to January 2000. Mr. Tang has been a member of China Accounting Standards Committee (中國會計準則委員會) since 1997 and a member of the Listing Committee of Shanghai Stock Exchange since 1996. He was the president of Shanghai University of Finance and Economics from October 1993 to January 1999 and served as a lecturer, associate professor, assistant to the president, professor and vice president of Shanghai University of Finance and Economics from 1984 to September 1993. Mr. Tang received a bachelor's degree in economics from Shanghai University of Finance and Economics in August 1968, a master's degree in economics from Shanghai University of Finance and Economics in August 1983 and a doctor's degree in accounting from Shanghai University of Finance and Economics in August 1987. Currently, Mr. Tang serves as independent directors of companies such as Ping An Insurance (Group) Company of China, Ltd. and Shanghai Bairun Flavour & Fragrance Co., Ltd.. He used to serve as independent directors of Jiangsu Zhongnan Construction Group Co.,Ltd. and Tungkong Inc.. Mr. Tang was honored by American Accounting Association as a distinguished international visiting professor and was recognized by State Education Commission and Ministry of Human Resources as returned overseas with outstanding contributions to the progress of socialist modernization.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(Continued)*

Mr. Zhao Lihua, born in September 1942, is an independent non-executive director of the Company. Mr. Zhao has accumulated substantial experience in corporate management. He has been an independent non-executive director of the Company since October 2014 and an independent Supervisor of the Company from November 2011 to October 2014 and served as an independent director of China Fiberglass from July 2003 to April 2011 and the chief supervisor of Sinosafe General Insurance Co. Ltd from July 2003 to June 2011. He served as the chairman of the board of directors of Hebei Huda Technology and Education Development Co., Ltd. from March 2000 to October 2002, the vice director of Hunan Physics Association (湖南省物理學會) from March 1997 to August 2008. He has been a Ph.D supervisor in Hunan University from May 1996 to December 2009. From May 1995 to July 1995, he conducted cooperative research in University of Wisconsin-Madison. He served as a vice president of Hunan University from March 1992 to March 2000 and was a visiting professor of University of Hanover in Germany in 1989. He served as a professor of the Department of Applied Physics since June 1987 and the deputy head and head of Laboratory Management Department of Hunan University from March 1984 to March 1992. Mr. Zhao was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and successively served as an instructor, a lecturer and associate professor of the department of applied physics in Hunan University from May 1978 to June 1987. Mr. Zhao received a bachelor's degree in theoretical physics from Hunan University in July 1965 and published more than 160 scientific research papers in renowned domestic and international academic journals. Mr. Zhao was awarded a special grant of the government approved by the State Council. Mr. Zhao currently serves as an independent director of China Glass Holdings Limited. Mr. Zhao was awarded the second prize of technology advancement for the Ministry of Machine Building (機械工業部科技進步二等獎) and the third prize of technology advancement for the Ministry of Education (教育部科技進步三等獎).

Mr. Wu Liansheng, born in December 1970, is an independent non-executive director of the Company. He has extensive research experience in the area of accounting rules and earnings management, corporate governance and corporate financial behaviour. Mr. Wu has been the deputy dean of the Guanghua Management Institute of Peking University since March 2012, the independent non-executive director of the Company since November 2011, the professor of the accounting department of Guanghua Management Institute of Peking University since August 2007 and head of the department of accounting of the Guanghua Management Institute of Peking University from August 2007 to December 2013, the deputy head of the department of accounting of the Guanghua Management Institute of Peking University from March 2003 to July 2007, a Ph.D supervisor of the Guanghua Management Institute of Peking University since August 2002 and has been a lecturer, associate professor and professor of the Guanghua Management Institute of Peking University since September 2001. Mr. Wu received a bachelor's degree in economics from Wuhan University in July 1993, a master's degree in economics from Wuhan University in June 1996 and a doctor's degree in management in June 1999. Mr. Wu has over a number of papers published in numerous renowned journals at home and abroad. In addition, he has led eight projects in total including the National Social Science Funds, National Natural Science Funds and Humanities and Social Sciences of the Ministry of Education. At present Mr. Wu acts as independent directors in Wanda Cinema Line Co., Ltd. and Western Mining Company Limited (西部礦業發展股份有限公司), and used to act as an independent director in Huaneng Power International Inc. He was shortlisted in the "New Century Outstanding Person Support Scheme" (新世紀優秀人才支持計劃) of the Ministry of Education.

DIRECTORS *(CONTINUED)*

Independent non-executive Directors *(Continued)*

Mr. Sun Yanjun, born in March 1970, is an independent non-executive director of the Company. Mr. Sun has accumulated rich experience in private equity investment as well as mergers and acquisitions of overseas listing of Chinese companies. Mr. Sun has been serving as an independent non-executive director of the Company since October 2014. He has served as a partner and managing director of TPG Capital since August 2011, mainly led TPG Capital investment business in Greater China. From June 2006 to May 2011, he served as managing director of direct investment of Goldman Sachs, was responsible for private equity investment business of Goldman Sachs in China. From July 2004 to May 2006, he served as the vice president of Morgan Stanley's, participated in a number of overseas IPO and M&A projects of China Company. Mr. Sun received a bachelor's degree in International Finance from Renmin University of China in July 1992 and an MBA degree from the University of Michigan in May 1997. Mr. Sun currently serves as a non-executive director of Phoenix Satellite Television Holdings Limited and Xin Yuan (China) Properties Co., Ltd (鑫苑（中國）置業有限公司).

SUPERVISORS

Mr. Wu Jiwei, born in February 1971, currently serves as the chairman of the Supervisory Committee of the Company. He has accumulated nearly 20 years of experience in financial management. Mr. Wu has served as the chairman of the Supervisory Committee of the Company since November 2011, the chief accountant of Parent since April 2011, the director of financial management centre of China Chengtong Holdings Group Limited from December 2008 to April 2011, the deputy chief accountant of Engineering Technology Branch Company (工程技術分公司) of China National Petroleum Corporation from April 2008 to December 2008, the general manager assistant of China National Petroleum Corporation (the "CNPC") Services and Engineering Ltd. as well as the chief accountant of China National Logging Corporation from April 2005 to April 2008. Mr. Wu served a number of positions for the finance department of CNPC Services and Engineering Ltd from February 2001 to April 2005, such as the deputy manager of financial assets department and the manager of finance department. From September 1999 to February 2001, he worked as an accountant of fiscal budget division of financial assets department (財務資產部資金預算處) of China National Petroleum Corporation. He obtained a bachelor's degree in financial accounting from Xi'an Petroleum College in July 1994 and received his master's degree in management from Central University of Finance and Economics in March 2001. Mr. Wu is a senior accountant. Mr. Wu currently serves as executive directors of China International Taxation Research Institute (中國國際稅收研究會) and China Association of Chief Financial Officers (中國總會計師協會).

Ms. Zhou Guoping, born in February 1960, is a Supervisor of the Company. Ms. Zhou has over 30 years' experience in financial management. Ms. Zhou has been the chief economist of Parent since December 2009, a supervisor of the Company since March 2005, assistant to the general manager of Parent from October 2003 to December 2009 and the general manager of the finance department of Parent from October 2003 to December 2006 and the chief financial officer of Zhongxin Group Financial Company from July 2000 to April 2003. From March 1992 to October 2003, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1982 and an EMBA degree from Xiamen University in December 2006. Ms. Zhou is qualified as a professor-grade senior engineer.

SUPERVISORS *(CONTINUED)*

Mr. Wu Weiku, born in March 1961, is an independent supervisor of the Company. Mr. Wu has extensive research experience in strategic management, corporation's leadership. Since October 2014, Mr. Wu has been serving as an independent supervisor of the Company, and a professor and doctoral supervisor in the Leadership and Organizational Management Department of the School of Economics and Management of Tsinghua University since December 2008. He used to be a visiting professor of The Hong Kong University of Science and Technology, Harvard Business School and The Wharton School of the University of Pennsylvania in September 2001, August 2001 and from September 1998 to February 1999 respectively. From April 1994 to November 2008, he successively served as a lecturer and deputy professor of Tsinghua University School of Economics and Management. Mr. Wu received a bachelor's degree in machinery manufacturing from Northeastern University in 1983, and a master's degree in mechanical engineering from Harbin Institute of Technology in 1987. He then received a Doctorate degree in mechanics from Tsinghua University in 1994. Mr. Wu did research in Harvard Business School and Hang Lung Management Research Center of Hong Kong University of Science and Technology in July 2001, and he is the author of five monographs including "Happy Attitude" and "Leadership". Mr. Wu is currently an independent director of Shandong Lukang Pharmaceutical Co., Ltd. Mr. Wu is concurrently members of American Management Association and International Association for Chinese Management Research. Mr. Wu has been awarded the "Excellent Tutors of Executive Development Program (EDP)" by Tsinghua University School of Economics and Management for consecutive years. He was awarded "The Best Selling Books" by The Society of Publishers in Asia and was honored as "The Most Influential Authors" by the China Machine Press for its 60th's anniversary.

Mr. Liu Jianwen, born in May 1959, is an independent supervisor of the Company. Mr. Liu has rich research experience in the fields of fiscal and tax law, economic law and intellectual property law. Mr. Liu has been serving as an independent supervisor of the Company since October 2014 and a professor and doctoral tutor of the Law School of Peking University since July 1999. From January 1997 to October 1997, Mr. Liu used to hold the position of deputy dean in the Law School of Wuhan University. Mr. Liu used to be a professor and doctoral tutor of the Law School of Wuhan University from May 1995 to December 1999 and a lecturer and deputy professor of the Law School of Wuhan University from July 1986 to April 1995. Mr. Liu obtained a bachelor's degree in Economics in Anhui University of Finance in June 1983, a master's degree in law in China University of Political Science and Law in June 1986 and a doctorate degree in law in Wuhan University in June 1997 and completed his postdoctoral program in law from Peking University in June 1999. Mr. Liu is currently an independent director of Datang Gohigh Data Network Technology Co., Ltd. (大唐高鴻數據網路技術股份有限公司) and Jiangsu Nantong Fujitsu Microelectronics Co., Ltd (江蘇南通富士通微電子股份有限公司). Mr. Liu used to serve as an independent director of Zhejiang Hai Liang Co., Ltd. (浙江海亮股份有限公司) and Integrated Electronic Systems Lab Co., Ltd. (積成電子股份有限公司). Mr. Liu concurrently holds the position of chairman of China Association for Fiscal and Tax Law, executive director of China Law Society and arbitrator of China International Economic and Trade Arbitration Commission. Mr. Liu received various awards, including the third prize of An-zijie International Trade Outstanding Works, the first prize of Outstanding Research on Philosophy and Social Science in Beijing and the second prize of the National Outstanding High School of Research on Philosophy and Social Science.

SUPERVISORS *(CONTINUED)*

Ms. Cui Shuhong, born in March 1968, is currently a staff representative Supervisor and the general manager of the Administration and Human Resources Department of the Company. Ms. Cui has nearly 25 years' experience in management positions. Ms. Cui has been the chairman of the supervisory committee of China Triumph since October 2012, a staff representative supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990. She is a researcher.

Mr. Liu Zhiping, born in November 1962, is a staff representative Supervisor of the Company. Mr. Liu had over 25 years of experience in economic management and investment. Mr. Liu has been the executive vice president of Southwest Cement from March 2012 to July 2014, a staff representative supervisor of the Company since June 2008, a supervisor of South Cement since September 2007, the general manager of the Company's Investment Development Department since April 2005 and the chairman of the supervisory committee of China Composites since September 2004. He served as the deputy head of General Manager's Office of Parent from August 2004 and March 2005, the general manager of Strategic Development Department of Finance Company of HNA Group Co., Ltd. from January 2004 to July 2004, the general manager assistant of Zhongxin Group Finance Company from May 2002 to December 2003, the General Manager of Foreign Currency Department (外匯業務部) in China Education Technology Trust Investment Company from November 1994 to May 2002, the deputy head of Foreign Currency Management Office (外匯管理處) of National Foreign Currency Bureau (Hainan Branch) from November 1993 to November 1994 and the deputy head of policy and law department of National Foreign Currency Bureau from August 1988 to November 1993. Mr. Liu received a bachelor's degree in economics in July 1985 and a master's degree in banking and currency in July 1988 from Jilin Trade and Business College. He obtained a doctor's degree of management from Huazhong University of Science and Technology in October 2000. He is a senior economist.

SENIOR MANAGEMENT

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

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

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

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

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Zhang Dingjin, born in November 1957, is a vice president of the Company. Mr. Zhang has over 30 years of experience in business and management in the building materials industry. He has served as the vice president of the Company since March 2005, the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, the deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor's degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. At present Mr. Li consecutively acts as the vice president of China Composites Industry Association (中國複合材料工業協會).

Mr. Chen Xuean, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has nearly 25 years' experience in financial management. Mr. Chen has served as a director of BNBM since September 2012, a director of China Composites since December 2011, the vice president of the Company since November 2011, the chairman of the supervisory committee of North Cement since March 2009, a director of CNBM Investment since August 2008, a director of South Cement since September 2007, a director of China United since October 2006, a supervisor of China Fiberglass (now China Jushi) since July 2005 and the chief financial officer of the Company since March 2005. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of State-owned Assets Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a researcher and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Yao Jixin, born in May 1955, is a vice president of the Company. Mr. Yao has nearly 40 years of experience in operation and management in the cement industry. He has been a vice president of the Company since August 2009, the vice chairman of South Cement since June 2009 and the secretary to the Party Committee of South Cement since April 2009. He served as the president of South Cement from September 2008 to June 2009 and the general manager of Zhejiang Sanshi Group Company Limited from March 1999 to August 2009. Mr. Yao has served as secretary of the Party Committee of Sanshi Group Company Limited since March 1999 and the chairman of Sanshi Group Company Limited since March 1998. He served as the chairman of Zhejiang Sanshi Cement Company Limited (浙江三獅水泥股份有限公司) from September 1997 to July 2011, a Party Committee member, vice chairman and general manager of Zhejiang Sanshi Cement Company Limited (浙江三獅水泥股份有限公司) from August 1994 to September 1997, an executive deputy manager of Zhejiang Cement Plant from July 1990 to August 1994 and a Party Committee member and deputy manager of Jiangshan Cement Plant (江山水泥廠) from November 1984 to July 1990. Mr. Yao is a senior economist who received an MBA degree from Macau University of Science and Technology in October 2005 and a doctor's degree in management from Macau University of Science and Technology in October 2010. At present Mr. Yao consecutively acts as the vice president of China Building Material Federation and the vice president of China Cement Association. Mr. Yao has won many awards, including National Outstanding Young Entrepreneur, Outstanding Business Management Worker in the national building materials industry, National May Day Labor Medalist, National Excellent Entrepreneur, Top Ten Outstanding Figures in China's Cement Industry during the 15th Five-Year Plan Period as well as the first prize of National Corporate Management Modernization and Innovation Achievement (國家級企業管理現代化創新成果).

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

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated nearly 20 years of experience in business and management in building materials industry. He has been the secretary to the Party Committee of BNBM since July 2014, a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司, currently known as China Fiberglass) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited (成都西南北新建材有限公司) from July 1998 to September 2002, and the regional manager of BNBMG from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang obtained a doctor's degree in management science and engineering from Wuhan University of Technology in June 2012. Mr. Wang is a professor-grade senior engineer. At present Mr. Wang consecutively acts as a member of China Youth Federation, a member of the standing committee and the vice secretary of State-owned Enterprise Youth Federation (中央企業青聯), the vice chairman and deputy director of the China Capital Entrepreneurs' Club (企業家俱樂部), the executive vice chairman of Gypsum Building Material Branch of China Building Materials Federation, a director of New Building Material Expert Committee under China Building Materials Industry Economic Research Association (中國建材工業經濟研究會新型建材專業委員會), the chairman of Beijing Entrepreneurs Enterprise Confederation (北京企業聯合會北京市企業家協會), the vice chairman of China Insulation and Energy Efficiency Materials Association (中國絕熱節能材料協會) and the vice chairman of China Construction and Decoration Material Association (中國建築裝飾裝修材料協會) and China Real Estate Association (中國房地產研究會). Mr. Wang was granted many awards, including the Fourth Session of National Building materials industry Outstanding Entrepreneur (第四屆全國建材行業優秀企業家), the National Building Material and Decoration Industry Outstanding Entrepreneur (全國建築材料裝飾行業優秀企業家), Beijing Outstanding Entrepreneur (北京市優秀企業家) and the first prize of National Corporate Management Modernization and Innovation Achievement (國家級企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has nearly 25 years experience in building material industry. Mr. Cai has been the chairman of CNBM Investment since August 2014, a director of Southwest Cement since December 2011 and the vice chairman of China Fiberglass (now China Jushi) since October 2009, a vice president of the Company since August 2009 and a director of South Cement since September 2007. From May 2006 to October 2009, he served as the director and vice general manager of China Fiberglass. He has been the president of CNBM Investment from April 2004 to August 2014 and a director of CNBM Investment since March 2003. From July 2005 to May 2006, he served as a supervisor of China Fiberglass. From December 2000 to April 2004, he served as vice president of BND Co., Limited (currently known as CNBM Investment). From November 1999 to January 2001, he served as a general manager assistant of China National Building Material & Equipment Import and Export Company Zhujiang Branch. From June 1998 to November 1999, he served as a deputy manager in the planning and financial department of China National Building Material & Equipment Import and Export Company Zhujiang Branch. Mr. Cai is an accountant who received a bachelor's degree in economics (normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Party Member of Shenzhen, Outstanding Entrepreneur of Building Materials Industry (建材行業優秀企業家), the first prize of National Corporate Management Modernization and Innovation Achievements (國家級企業管理現代化創新成果) and listed in Elites' Register of Building Materials Industry in 2008 (建材行業精英錄).

Mr. Zhang Jindong, born in January 1964, is the vice president of the Company. Mr. Zhang has nearly 30 years of experience in business and management experience in the construction material industry. Mr. Zhang has been the vice president of the Company since August 2014, a director of China United from April 2005 to July 2014, a general manager and deputy secretary of the party of China United from August 2004 to July 2014, a general manager of Shangdong Lunan Cement Co., Ltd. from March 2000 to July 2004, a deputy general manager of Shangdong Lunan Cement Co., Ltd. from February 1999 to February 2000 and a director and deputy chief senior engineer of Lunan Cement Factory from July 1985 to January 1999. Mr. Zhang obtained the Bachelor's degree in Automotives from Shandong Institute of Building Materials in June 1985 and a Master's degree in Business Administration from Xiamen University in June 2005. He is a senior engineer.

QUALIFIED ACCOUNTANT

Ms. Pei Hongyan, born in December 1973, is the qualified accountant of the Company. She has nearly 15 years of experience in accounting. Ms. Pei has been a director of BNBM since October 2014, a director of China Fiberglass (now China Jushi) since April 2011, a supervisor of North Cement since August 2010, a qualified accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (國家級建材行業企業管理現代化創新成果).

JOINT COMPANY SECRETARIES

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

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

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BAKER TILLY
HONG KONG | 天職香港

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

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 219, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising certificate number P01183

Hong Kong, 24 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	**2014** ***RMB'000***	2013 *RMB'000*
Revenue	5	**122,011,222**	117,687,840
Cost of sales		**(88,732,228)**	(87,549,843)
Gross profit		**33,278,994**	30,137,997
Investment and other income	7	**4,954,948**	4,204,133
Selling and distribution costs		**(7,760,390)**	(6,928,479)
Administrative expenses		**(9,049,329)**	(8,134,660)
Finance costs - net	8	**(10,856,638)**	(9,306,502)
Share of profits of associates	20	**985,426**	630,536
Profit before income tax	10	**11,553,011**	10,603,025
Income tax expense	11	**(2,881,364)**	(2,291,155)
Profit for the year		**8,671,647**	8,311,870
Profit attributable to:			
Owners of the Company		**5,919,541**	5,761,854
Holders of perpetual capital instruments		**45,125**	—
Non-controlling interests		**2,706,981**	2,550,016
		8,671,647	8,311,870
Earnings per share - basic and diluted *(RMB)*	13	**1.10**	1.07

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

Dividends			
— paid	12	**863,844**	836,849
— proposed	12	**890,839**	863,844

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Profit for the year	**8,671,647**	8,311,870
Other comprehensive (expense)/income, net of tax: (Note 11(b))		
Items that may be subsequently reclassified to profit or loss		
— Currency translation differences	**(9,547)**	(72,404)
— Changes in fair value of available-for-sale financial assets	**(65,188)**	202,477
— Shares of associates' other comprehensive expense	**(82,134)**	(50,327)
Other comprehensive (expense)/income for the year, net of tax	**(156,869)**	79,746
Total comprehensive income for the year	**8,514,778**	8,391,616
Total comprehensive income attributable to:		
Owners of the Company	**5,746,306**	5,850,256
Holders of perpetual capital instruments	**45,125**	—
Non-controlling interests	**2,723,347**	2,541,360
Total comprehensive income for the year	**8,514,778**	8,391,616

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

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	**126,019,321**	123,486,020
Prepaid lease payments	15	**14,107,910**	13,612,734
Investment properties	16	**300,472**	312,069
Goodwill	17	**42,847,327**	42,310,902
Intangible assets	18	**5,336,403**	4,506,125
Interests in associates	20	**10,032,548**	7,751,123
Available-for-sale financial assets	21	**1,301,689**	1,388,149
Deposits	23	**6,584,989**	8,297,064
Deferred income tax assets	31	**3,251,399**	2,710,241
		209,782,058	204,374,427
Current assets			
Inventories	24	**16,663,437**	14,721,004
Trade and other receivables	25	**60,972,479**	52,211,189
Financial assets at fair value through profit or loss	22	**1,978,704**	189,897
Amounts due from related parties	26	**11,090,427**	8,259,238
Pledged bank deposits	28	**5,704,068**	2,895,511
Cash and cash equivalents	28	**10,290,653**	8,979,909
		106,699,768	87,256,748
Current liabilities			
Trade and other payables	29	**51,271,781**	48,327,065
Amounts due to related parties	26	**1,713,831**	2,522,711
Borrowings - amount due within one year	30	**139,292,634**	113,341,816
Obligations under finance leases	32	**4,490,609**	2,678,785
Current income tax liabilities		**1,913,310**	2,119,409
Dividend payable to non-controlling interests		**441,789**	405,316
		199,123,954	169,395,102
Net current liabilities		**(92,424,186)**	(82,138,354)
Total assets less current liabilities		**117,357,872**	122,236,073

As at 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Non-current liabilities			
Borrowings - amount due after one year	30	**37,731,114**	56,866,432
Deferred income		**1,222,202**	1,398,280
Obligations under finance leases	32	**9,142,563**	7,980,801
Financial guarantee contracts due after one year	33	**56,981**	57,444
Deferred income tax liabilities	31	**2,227,781**	2,357,217
		50,380,641	68,660,174
Net assets		**66,977,231**	53,575,899
Capital and reserves			
Share capital	34	**5,399,026**	5,399,026
Reserves		**35,173,875**	29,979,397
Equity attributable to			
Owners of the Company		**40,572,901**	35,378,423
Perpetual capital instruments		**5,000,125**	—
Non-controlling interests		**21,404,205**	18,197,476
Total equity		**66,977,231**	53,575,899

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

The consolidated financial statements on pages 102 to 219 were approved by the Board of Directors on 24 March 2015 and were signed on its behalf by:

Song Zhiping
Director

Cao Jianglin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund (Note 35 (a))	Fair value reserve (Note 35 (b))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 36)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2013	5,399,026	4,824,481	28,277	1,640,937	6,620	29,589	18,567,168	30,496,098	—	13,568,749	44,064,847
Profit for the year	—	—	—	—	—	—	5,761,854	5,761,854	—	2,550,016	8,311,870
Other comprehensive income/ (expenses), net of tax (Note 11(b))											
— Currency translation differences	—	—	—	—	—	(72,500)	—	(72,500)	—	96	(72,404)
— Changes in fair value of available-for-sale financial assets, net	—	—	—	—	211,229	—	—	211,229	—	(8,752)	202,477
— Shares of associates' other comprehensive expense	—	—	(50,119)	—	(208)	—	—	(50,327)	—	—	(50,327)
Total comprehensive income/(expense) for the year	—	—	(50,119)	—	211,021	(72,500)	5,761,854	5,850,256	—	2,541,360	8,391,616
Dividends (Note 12)	—	—	—	—	—	—	(836,849)	(836,849)	—	—	(836,849)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	(956,081)	(956,081)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 37(a))	—	—	—	—	—	—	—	—	—	248,005	248,005
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	195,100	195,100
Acquisition of additional interests in subsidiaries (Note 38(a))	—	—	(76,747)	—	—	—	—	(76,747)	—	(93,410)	(170,157)
Deemed partial disposal of interests in subsidiaries without losing control (Note 38(b))	—	—	(63,266)	—	—	—	—	(63,266)	—	2,693,266	2,630,000
Appropriation to statutory reserve	—	—	—	520,989	—	—	(520,989)	—	—	—	—
Others	—	—	8,931	—	—	—	—	8,931	—	487	9,418
Balance at 31 December 2013	5,399,026	4,824,481	(152,924)	2,161,926	217,641	(42,911)	22,971,184	35,378,423	—	18,197,476	53,575,899

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund (Note 35 (a))	Fair value reserve (Note 35 (b))	Exchange reserve	Retained earnings	Total	Perpetual capital instruments (Note 36)	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014	5,399,026	4,824,481	(152,924)	2,161,926	217,641	(42,911)	22,971,184	35,378,423	–	18,197,476	53,575,899
Profit for the year	–	–	–	–	–	–	5,919,541	5,919,541	45,125	2,706,981	8,671,647
Other comprehensive (expenses)/ income, net of tax (Note 11(b))											
— Currency translation differences	–	–	–	–	–	(10,099)	–	(10,099)	–	552	(9,547)
— Changes in fair value of available-for-sale financial assets, net	–	–	–	–	(79,993)	–	–	(79,993)	–	14,805	(65,188)
— Shares of associates' other comprehensive income/(expense)	–	–	–	–	11,339	(94,482)	–	(83,143)	–	1,009	(82,134)
Total comprehensive income/(expense) for the year	–	–	–	–	(68,654)	(104,581)	5,919,541	5,746,306	45,125	2,723,347	8,514,778
Dividends (Note 12)	–	–	–	–	–	–	(863,844)	(863,844)	–	–	(863,844)
Dividends paid to the non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(1,055,828)	(1,055,828)
Increase in non-controlling interests as a result of acquisition of subsidiaries (Note 37(a))	–	–	–	–	–	–	–	–	–	348,790	348,790
Disposal of subsidiaries (Note37(b))	–	–	–	–	–	–	–	–	–	(117,822)	(117,822)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	4,672	4,672
Acquisition of additional interests in subsidiaries (Note 38(a))	–	–	(55,722)	–	–	–	–	(55,722)	–	(248,839)	(304,561)
Deemed partial disposal of interests in subsidiaries without losing control (Note 38(b))	–	–	286,045	–	–	–	–	286,045	–	1,551,482	1,837,527
Appropriation to statutory reserve	–	–	–	174,651	–	–	(174,651)	–	–	–	–
Issue of perpetual capital instruments net of issuance cost (Note 36)	–	–	–	–	–	–	–	–	4,955,000	–	4,955,000
Share of reserves in associates	–	–	78,700	–	–	–	–	78,700	–	136	78,836
Others	–	–	144,083	(141,090)	–	–	–	2,993	–	791	3,784
Balance at 31 December 2014	5,399,026	4,824,481	300,182	2,195,487	148,987	(147,492)	27,852,230	40,572,901	5,000,125	21,404,205	66,977,231

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before income tax	**11,553,011**	10,603,025
Adjustments for:		
Share of profits of associates	**(985,426)**	(630,536)
Finance costs	**11,588,873**	9,954,595
Interest income	**(732,235)**	(648,093)
Dividend from available-for-sale financial assets	**(16,535)**	(4,732)
Gain on disposal of associates	**—**	(11,393)
Impairment loss on property, plant and equipment recognised/(reversal)	**1,615**	(2,668)
Impairment loss on goodwill	**2,257**	—
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(6,406)**	47,635
(Increase)/decrease in fair value of financial assets at fair value through profit or loss	**(316,657)**	57,766
Deferred income released to the consolidated income statement	**(300,762)**	(203,586)
Depreciation of property, plant and equipment and investment properties	**6,482,037**	5,443,773
Amortisation of intangible assets	**346,205**	289,258
Prepaid lease payments released to the consolidated income statement	**334,898**	326,009
Waiver of payables	**(60,722)**	(62,830)
Allowance for bad and doubtful debts	**510,654**	253,550
Writedown of inventories	**60,624**	2,085
Impairment loss on available-for-sales financial assets	**759**	271
Gain on disposal of subsidiaries, net	**(15,308)**	—
Discount on acquisition of interests in subsidiaries	**(215,743)**	(28,363)
Net foreign exchange losses	**47,545**	20,070
Operating cash flows before working capital changes	**28,278,684**	25,405,836
Increase in inventories	**(1,786,743)**	(1,036,929)
Increase in trade and other receivables	**(3,542,259)**	(7,548,710)
Increase in amounts due from related parties	**(599,013)**	(653,740)
Decrease in trade and other payables	**(4,994,826)**	(2,673,337)
Increase in amounts due to related parties	**658,456**	30,900
Increase in deferred income	**124,684**	575,688
Cash generated from operations	**18,138,983**	14,099,708

	2014	2013
	RMB'000	*RMB'000*
Cash generated from operations	**18,138,983**	14,099,708
Income tax paid	**(3,734,808)**	(3,041,528)
Interest received	**764,906**	598,270
Net cash generated from operating activities	**15,169,081**	11,656,450
Investing activities		
Purchases of available-for-sale financial assets	**(8,216)**	(609,948)
Purchase of financial assets at fair value through profit or loss	**(1,472,150)**	—
Purchase of property, plant and equipment	**(8,567,325)**	(9,409,805)
Purchase of intangible assets	**(1,150,408)**	(886,911)
Proceeds on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**137,133**	386,266
Acquisition of interests in associates	**(1,256,020)**	(919,916)
Dividend received from associates	**116,894**	121,368
Proceeds from disposal of associates	**29,614**	85,419
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	**(55,888)**	—
Dividend received from available-for-sale financial assets	**16,535**	4,732
Deposits paid	**(6,584,988)**	(8,297,064)
Deposits refunded	**8,297,064**	8,409,669
Payments for prepaid lease payments	**(606,576)**	(756,146)
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(392,788)**	(3,480,591)
Advances from/(to) related parties	**1,221,226**	(1,743,004)
Repayments to immediate holding company	**—**	(311,525)
Other payments for investing activities	**(4,219,015)**	(11,688,898)
(Increase)/decrease in pledged bank deposits	**(2,402,732)**	609,493
Net cash used in investing activities	**(16,897,640)**	(28,486,861)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Financing activities		
Proceeds from issue of perpetual capital instruments, net of issuance cost	**4,955,000**	—
Interest paid	**(11,462,127)**	(10,466,327)
Dividend paid to shareholders	**(863,844)**	(836,849)
Dividend paid to non-controlling interests of subsidiaries	**(1,121,643)**	(779,236)
Payments for acquisition of additional interests in subsidiaries	**(304,561)**	(170,157)
Contributions from non-controlling interests	**1,817,064**	2,825,700
Repayment of borrowings	**(155,357,267)**	(108,477,062)
Other receipts/(payments) for financing activities	**264,618**	(4,443,626)
New borrowings raised	**163,723,360**	132,271,223
(Decrease)/increase in amounts due to related parties	**(1,499,736)**	508,576
Increase under finance leases	**2,966,013**	5,206,158
Net cash generated from financing activities	**3,116,877**	15,638,400
Net increase/(decrease) in cash and cash equivalents	**1,388,318**	(1,192,011)
Exchange loss on cash and cash equivalents	**(77,574)**	(50,136)
Cash and cash equivalents at beginning of the year	**8,979,909**	10,222,056
Cash and cash equivalents at end of the year	**10,290,653**	8,979,909

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

1 GENERAL INFORMATION

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

The addresses of registered office and the principal place of business of the Company are located at Tower 2 (Building B), Guohai Plaza, 17 Fuxing Road, Haidian District, Beijing, the PRC.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, except for certain available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair values, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 New and amended standards adopted by the Group

The following amendments to IFRSs and interpretation are mandatory for the first time adoption for the accounting period beginning on 1 January 2014:

IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC - Interpretation 21	Levies

The application of the above new or revised IFRSs and interpretation in the current year has 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.2 New and revised IFRSs issued but not yet effective

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the accounting period beginning on 1 January 2014 and have not been early adopted:

IFRS 9	Financial Instruments[5]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
IFRS 14	Regulatory Deferral Accounts[3]
IFRS 15	Revenue from Contracts with Customers[4]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants[3]
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
IAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 cycle[2]
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 cycle[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 cycle[3]

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

[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Group is in the process of making an assessment of what impact of these amendments and new standards would be in the period of initial application, but not yet in a position to state whether these amendments, new or revised standards and interpretations would have significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 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.

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

Profit or loss and each component of the 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 and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2.1 Changes in the Group's ownership interests in existing subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Basis of consolidation *(continued)*

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

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 IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3 Business 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, except that:

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

- liabilities or equity instruments related 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 IFRS 2 Share-based Payment at the acquisition date; and

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Business combinations *(continued)*

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 reassessment, 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 interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Business combinations *(continued)*

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

2.4 Goodwill

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described as note 2.5 below.

2.5 Investments in associates

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Investments in associates *(continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 IAS 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 IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Segment reporting

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

2.7 Revenue recognition

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

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

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 2.12).

Other service income is recognised when the services are provided.

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

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

2.8 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Property, plant and equipment *(continued)*

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

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

2.9 Prepaid lease payments

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

2.10 Investment properties

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Leasing

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

The Group as lessor

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

The Group as lessee

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Leasing *(continued)*

Leasehold land and building

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

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

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

2.12 Constructions contracts

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Constructions contracts *(continued)*

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

2.13 Foreign currency translation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Government grants

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

2.15 Borrowing costs

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

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

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

2.16 Retirement benefits costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 Cash-settled share-based payment transactions

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

2.18 Taxation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Taxation *(continued)*

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

2.19 Intangible assets

Patents

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

Trademarks

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

Mining rights

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

2.21 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2.27) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2.23 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2.24 Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.25 Cash and cash equivalents

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

2.26 Financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Financial assets *(continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Financial assets *(continued)*

Impairment of financial assets

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.27 Financial assets *(continued)*

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

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

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

Derecognition of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.28 Financial liabilities and equity instruments

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

Equity and perpetual capital instruments

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

Perpetual capital instruments issued by the Group with no maturity date and contracted obligation to repay its principal and any distribution are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

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

Financial guarantee contract liabilities

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the interest revenue recognition policies above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.28 Financial liabilities and equity instruments *(continued)*

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

2.29 Provisions

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

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

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

2.30 Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.31 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2.32 Comparatives

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

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

(i) Foreign currency risk

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

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

	Liabilities		Assets	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**103,703**	496,484	**1,052,035**	917,348
European Dollar ("EUR")	**601,131**	67,765	**564,510**	143,845
Hong Kong Dollar ("HKD")	**192,981**	—	**742,377**	929,305
Papua New Guinea Kina ("PGK")	**60,403**	34,808	**175,705**	156,992
Saudi Arabian Riyal ("SAR")	**458**	135	**8,150**	2,176
Vietnamese Dong ("VND")	**—**	—	**1,673**	1,669
Kazakhstan Tenge ("KZT")	**28,503**	—	**13,587**	16,467
Australian Dollar ("AUD")	**29,513**	28,948	**21,798**	19,628
British Pound ("GBP")	**885**	—	**278,509**	62,866
Thai Baht ("THB")	**—**	—	**174,178**	163,700
Others	**454**	—	**3,569**	355

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk *(continued)*

Sensitivity analysis

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

Effect on profit after tax

	2014 *RMB'000*	2013 *RMB'000*
USD	**(45,840)**	(21,247)
EUR	**1,770**	(3,841)
HKD	**(26,557)**	(46,915)
PGK	**(5,574)**	(6,168)
SAR	**(372)**	(103)
VND	**(81)**	(84)
KZT	**721**	(831)
AUD	**373**	470
GBP	**(13,419)**	(3,174)
THB	**(8,419)**	(8,264)
Others	**(151)**	(18)
	(97,549)	(90,175)

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

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

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

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

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB55,119.35 million (2013: RMB84,391.71 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2014 would decrease by RMB521.29 million (2013: RMB833.56 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of available-for-sale and held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets in Note 21 and financial assets at fair value through profit or loss in Note 22 as at 31 December 2014. The Group's listed investments are listed on the Hong Kong, Shenzhen and Shanghai Stock Exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2014	**High/low 2014**	31 December 2013	High/low 2013
Hong Kong Stock Exchange				
— Hang Seng Index	**23,605**	**25,363/21,138**	23,306	24,111/19,426
Shenzhen Stock Exchange				
— A Share Index	**11,015**	**6,998/11,015**	8,121	9,989/7,495
Shanghai Stock Exchange				
— Composite Index	**3,235**	**3,235/1,991**	2,115	2,418/1,950

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Equity price risk *(continued)*

Sensitivity analysis

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

	2014 Carrying amount of equity investments *RMB'000*	**2014 Increase in profit after tax** *RMB'000*	2013 Carrying amount of equity investments *RMB'000*	2013 Increase in profit after tax *RMB'000*
Investments listed in:				
Hong Kong, Shenzhen and Shanghai Stock Exchange — Held-for-trading	**800,379**	**60,076**	189,897	14,886

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

(b) Credit risk

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

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

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

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

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

(c) Liquidity risk

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

As at 31 December 2014, the Group has net current liabilities and capital commitments of approximately RMB92,424.19 million (2013: approximately RMB82,138.35 million) and approximately RMB179.31 million (2013: approximately RMB881.93 million) (Note 40), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2014, the Group had unused banking facilities and bonds registered but not yet issued, of approximately RMB130,745.69 million (2013: approximately RMB97,286.90 million).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

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

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014	—	—	—	—	—	—	—	—	—
Trade and other payables	—	51,271,781	—	—	—	—	—	51,271,781	51,271,781
Amounts due to related parties									
— interest-free	—	1,060,998	—	—	—	—	—	1,060,998	1,060,998
— fixed rate	6%	692,003	—	—	—	—	—	692,003	652,833
Advances from immediate holding company									
Borrowings									
— fixed rate bank loans	5.98%	55,819,614	8,222,638	2,216,504	605,922	642,108	593,622	68,100,408	63,504,401
— variable rate bank loans	6.00%	40,424,455	8,030,624	4,987,275	2,847,943	1,280,684	1,152,232	58,723,213	55,119,347
— bonds	5.12%	51,529,064	9,595,036	—	—	—	—	61,124,100	58,400,000
Obligations under finance leases	6.15%	4,620,063	2,571,038	1,989,790	5,046,457	1,172,965	318,352	15,718,665	13,633,172
Dividend payable to non-controlling interests	—	441,789	—	—	—	—	—	441,789	441,789
Financial guarantee contracts	5.35%	3,212	60,030	—	—	—	—	63,242	56,981
		205,862,979	28,479,366	9,193,569	8,500,322	3,095,757	2,064,206	257,196,199	244,141,302

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013									
Trade and other payables	—	48,327,065	—	—	—	—	—	48,327,065	48,327,065
Amounts due to related parties									
— interest-free	—	1,811,110	—	—	—	—	—	1,811,110	1,811,110
— fixed rate	6.00%	427,459	—	—	—	—	—	427,459	403,264
Advances from immediate holding company	—	308,337	—	—	—	—	—	308,337	308,337
Borrowings									
— fixed rate bank loans	5.99%	32,586,132	3,216,632	4,562,672	657,200	465,044	155,634	41,643,314	39,616,543
— variable rate bank loans	6.02%	47,276,304	17,461,120	14,877,311	4,732,862	3,792,207	303,457	88,443,261	84,391,705
— bonds	4.96%	38,803,946	2,096,533	2,211,073	5,241,333	—	—	48,352,885	46,200,000
Obligations under finance leases	6.72%	2,791,361	2,455,209	1,582,192	1,052,708	4,643,018	—	12,524,488	10,659,586
Dividend payable to non-controlling interests	—	405,316	—	—	—	—	—	405,316	405,316
Financial guarantee contracts	5.35%	—	—	60,518	—	—	—	60,518	57,444
		172,737,030	25,229,494	23,293,766	11,684,103	8,900,269	459,091	242,303,753	232,180,370

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The contractual expiry periods of financial guarantees are as follows:

	2014		2013	
	RMB'000	**Expiry periods**	*RMB'000*	Expiry periods
Guarantee given to banks in respect of banking facilities utilised by independent third parties	—	—	85,000	(2014)

3.2 Capital risk

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

The capital structure the Group consists of debt, which includes the borrowings disclosed in Note 30, cash and cash equivalents disclosed in Note 28 and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

(a) Financial instruments carried at fair value

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

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

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

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

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Financial assets at fair value through profit or loss	800,379	—	1,178,325	1,978,704
Available-for-sale financial assets	1,006,782	—	—	1,006,782
Total assets	1,807,161	—	1,178,325	2,985,486
Liabilities				
Financial guarantee contracts	—	—	56,981	56,981
Total liabilities	—	—	56,981	56,981

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(continued)*

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

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through profit or loss	189,897	—	—	189,897
Available-for-sale financial assets	1,093,700	—	—	1,093,700
Total assets	1,283,597	—	—	1,283,597
Liabilities				
Financial guarantee contracts	—	—	57,444	57,444
Total liabilities	—	—	57,444	57,444

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

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(continued)*

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

The fair value of financial guarantee contracts is estimated by the directors with reference to the financial condition of the guarantee, which were considered as level 3 valuation.

There is no transfer of financial assets and liabilities between level 1, level 2 and level 3 fair value hierarchy classifications.

(b) Financial instruments carried at other than fair value

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2014, the carrying value of property, plant and equipment is approximately RMB126,019.32 million (2013: approximately RMB123,486.02 million).

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Write down of inventories

During the year, the Group made write down of inventories provision of approximately RMB60.62 million (2013: approximately RMB2.09 million). The Group makes write down of inventories based on assessment of the net realisable value of inventories. Write down of inventories is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.4. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2014, the carrying amount of goodwill is approximately RMB42,847.33 million (2013: approximately RMB42,310.90 million). Details of the recoverable amount calculation are disclosed in Note 17.

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB510.65 million (2013: approximately RMB253.55 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company are responsible in determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of investment properties and financial instruments. Note 3.3 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Consolidation of entities in which the Group holds less than 50% equity interest

The Group has considered that Beijing New Building Material Public Limited Company ("BNBM") is controlled by the Group, even though the Group holds less than 50% equity interest of BNBM.

The Group has a 45.2% equity interest in BNBM. This company is consolidated by the Group as the Group has sufficient dominant voting interest and power to direct the key financing and operating decisions of BNBM.

5 REVENUE

	2014 ***RMB'000***	2013 *RMB'000*
Sale of goods	**113,507,294**	110,157,827
Provision of engineering services	**4,572,597**	5,690,915
Rendering of other services	**3,931,331**	1,839,098
	122,011,222	117,687,840

6 SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

6 SEGMENTS INFORMATION

(a) Operating segments *(continued)*

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

Year ended 31 December 2014

	Cement	Concrete	Lightweight building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Revenue								
External sales	73,451,083	28,695,283	7,672,877	2,601,792	5,834,494	3,755,693	—	122,011,222
Inter-segment sales (Note)	1,623,461	1,578	—	—	1,793,674	1,261,801	(4,680,514)	—
	75,074,544	28,696,861	7,672,877	2,601,792	7,628,168	5,017,494	(4,680,514)	122,011,222
Adjusted EBITDA	20,135,604	4,793,630	2,160,805	390,742	912,549	153,398	—	28,546,728
Depreciation and amortisation, and prepaid lease payments released to consolidated income statement	(5,652,219)	(888,950)	(334,069)	(87,387)	(127,341)	(59,111)	40,761	(7,108,316)
Unallocated other expense								138,293
Unallocated administrative expenses								(152,482)
Share of profit/(loss) of associates	657,317	247	5,157	178,614	(2,676)	146,767	—	985,426
Finance costs - net	(7,425,569)	(1,975,421)	(173,351)	(65,150)	(324,972)	(142,331)	—	(10,106,794)
Unallocated finance costs-net								(749,844)
Profit before income tax								11,553,011
Income tax expense								(2,881,364)
Profit for the year								8,671,647

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2014 *(continued)*

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

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

	Cement	Concrete	Lightweight building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information								
Capital expenditure:								
— Property, plant and equipment	4,553,075	516,170	975,373	285,043	285,127	927,235	—	7,542,023
— Prepaid lease payments	290,803	17,039	170,298	—	—	128,436	—	606,576
— Intangible assets	842,166	3,219	23,628	4,511	2,201	274,683	—	1,150,408
— Unallocated								49,491
	5,686,044	536,428	1,169,299	289,554	287,328	1,330,354		9,348,498
— Acquisition of subsidiaries	1,106,829	250,389	65,223	—	1,313,688	—	—	2,736,129

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2014 *(continued)*

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Other information *(Continued)*								
Depreciation and amortisation								
— Property, plant and equipment	5,010,782	868,712	308,658	77,027	111,756	50,278	—	6,427,213
— Intangible assets	314,730	1,654	14,386	2,670	7,070	5,695	—	346,205
— Unallocated								54,824
	5,325,512	870,366	323,044	79,697	118,826	55,973	—	6,828,242
Prepaid lease payments released to the consolidated income statement	285,946	18,584	11,025	7,690	8,515	3,138	—	334,898
Allowance for bad and doubtful debts	195,628	127,613	1,816	76,172	97,417	12,008	—	510,654
Write down/(reversal of provision) of inventories	—	—	—	—	(883)	61,507	—	60,624
Statement of financial Position								
Assets								
Segment assets	213,167,510	32,898,822	11,037,659	5,220,056	10,601,787	5,321,491	—	278,247,325
Interests in associates	6,445,759	—	106,519	3,207,298	32,633	240,339	—	10,032,548
Unallocated assets								28,201,953
Total consolidated assets								316,481,826
Liabilities								
Segment liabilities	129,883,194	45,890,016	4,391,092	3,158,478	10,956,936	4,671,960	—	198,951,676
Unallocated liabilities								50,552,919
Total consolidated liabilities								249,504,595

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2013

	Cement *RMB'000*	Concrete *RMB'000*	Lightweight building materials *RMB'000*	Glass fiber and composite materials *RMB'000*	Engineering services *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Income statement								
Revenue								
External sales	72,011,384	27,182,581	6,981,573	2,277,150	5,787,304	3,447,848	—	117,687,840
Inter-segment sales (Note)	4,295,458	—	—	—	972,773	3,228,031	(8,496,262)	—
	76,306,842	27,182,581	6,981,573	2,277,150	6,760,077	6,675,879	(8,496,262)	117,687,840
Adjusted EBITDA	17,800,680	4,535,455	1,909,842	336,828	696,462	238,816	—	25,518,083
Depreciation and amortisation, and prepaid lease payments released to consolidated income statement	(4,744,973)	(818,328)	(313,276)	(105,943)	(56,850)	(24,922)	23,045	(6,041,247)
Unallocated other expense								(23,909)
Unallocated administrative expenses								(173,936)
Share of profit/(loss) of associates	440,234	2,776	3,473	146,485	(1,284)	38,852	—	630,536
Finance costs - net	(6,385,390)	(1,564,752)	(163,582)	(71,730)	(149,155)	(78,372)	—	(8,412,981)
Unallocated finance costs-net								(893,521)
Profit before income tax								10,603,025
Income tax expense								(2,291,155)
Profit for the year								8,311,870

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2013 *(continued)*

	Cement	Concrete	Lightweight building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other information								
Capital expenditure:								
— Property, plant and equipment	5,099,646	418,091	702,494	176,532	42,183	297,061	—	6,736,007
— Prepaid lease payments	416,173	89,718	212,294	1,952	36,009	—	—	756,146
— Intangible assets	542,619	6,065	5,278	35,892	4,875	292,182	—	886,911
— Unallocated								79,595
	6,058,438	513,874	920,066	214,376	83,067	589,243		8,458,659
— Acquisition of subsidiaries	15,042,440	3,955,742	4,036	—	—	—	—	19,002,218
Depreciation and amortisation								
— Property, plant and equipment	4,205,388	800,919	282,349	90,940	47,245	22,184	(23,045)	5,425,980
— Intangible assets	270,348	1,260	4,137	7,346	5,442	725	—	289,258
— Unallocated								17,793
	4,475,736	802,179	286,486	98,286	52,687	22,909		5,733,031
Prepaid lease payments released to the consolidated income statement	269,237	16,149	26,790	7,657	4,163	2,013	—	326,009
Allowance for bad and doubtful debts	125,387	26,896	4,872	44,718	40,567	11,110	—	253,550
Write down of inventories	—	—	—	2,085	—	—	—	2,085

SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2013 *(continued)*

	Cement	Concrete	Lightweight building materials	Glass fiber and composite materials	Engineering services	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Statement of financial Position								
Assets								
Segment assets	194,473,971	37,821,443	9,729,960	5,916,368	7,349,532	5,241,118	—	260,532,392
Interests in associates	5,757,234	31,915	103,623	1,713,933	42,625	101,793	—	7,751,123
Unallocated assets								23,347,660
Total consolidated assets								291,631,175
Liabilities								
Segment liabilities	150,836,165	13,968,776	4,388,287	3,537,849	7,118,424	4,863,875	—	184,713,376
Unallocated liabilities								53,341,900
Total consolidated liabilities								238,055,276

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

6 SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(continued)*

Year ended 31 December 2013 *(continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Adjusted EBITDA for reportable segments	**28,393,330**	25,279,267
Adjusted EBITDA for other segment	**153,398**	238,816
Eliminations	**—**	—
Total segments profit	**28,546,728**	25,518,083
Depreciation of property, plant and equipment	**(6,427,213)**	(5,425,980)
Amortisation of intangible assets	**(346,205)**	(289,258)
Prepaid lease payments released to the consolidated income statements	**(334,898)**	(326,009)
Corporate items	**(14,189)**	(197,845)
Operating profit	**21,424,223**	19,278,991
Finance costs - net	**(10,856,638)**	(9,306,502)
Share of profit of associates	**985,426**	630,536
Profit before income tax	**11,553,011**	10,603,025

(b) Geographical segments

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

	Revenue from external customers	
	2014	2013
	RMB'000	*RMB'000*
PRC	**120,460,792**	115,891,215
Europe	**480,792**	253,798
Middle East	**484,194**	74,973
Southeast Asia	**321,244**	435,676
Oceania	**153,354**	534,145
Others	**110,846**	498,033
	122,011,222	117,687,840

More than 90% of the Group's operations and assets are located in the PRC for the years ended 31 December 2014 and 2013.

6 SEGMENTS INFORMATION *(CONTINUED)*

(c) Information of major customers

No single customer amounted for 10% or more of the total revenue for the years ended 31 December 2014 and 2013.

7 INVESTMENT AND OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Dividend from available-for-sale financial assets	**16,535**	4,732
Discount on acquisition of interests in subsidiaries (Note 37(a))	**215,743**	28,363
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments, net	**6,406**	—
Government subsidies:		
— VAT refunds (Note (a))	**2,094,120**	2,106,908
— Government grants (Note (b))	**1,560,813**	1,468,571
— Interest subsidy	**34,061**	44,656
Gain on disposal of subsidiaries, net (Note 37(b))	**15,308**	—
Increase/(decrease) in fair value of financial assets at fair value through profit or loss	**316,657**	(57,766)
Net rental income from:		
— Investment properties (Note 16)	**35,649**	32,892
— Equipment	**74,158**	81,599
Technical and other service income	**147,654**	253,712
Waiver of payables	**60,722**	62,830
Gain on disposal of associates	**—**	11,393
Others	**377,122**	166,243
	4,954,948	4,204,133

7 INVESTMENT AND OTHER INCOME *(CONTINUED)*

Notes:

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

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

8 FINANCE COSTS - NET

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank borrowings:		
— wholly repayable within five years	**9,802,424**	7,554,155
— not wholly repayable within five years	**111,430**	14,136
	9,913,854	7,568,291
Interest expenses on bonds and other borrowings	**2,362,840**	2,761,499
Less: interest capitalised to construction in progress	**(687,821)**	(375,195)
	11,588,873	9,954,595
Interest income:		
— interest on bank deposits	**(361,541)**	(258,638)
— interest on loans receivables	**(370,694)**	(389,455)
	(732,235)	(648,093)
Finance costs - net	**10,856,638**	9,306,502

Borrowing costs capitalised for the year ended 31 December 2014 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.94% (2013: 5.66%) per annum to expenditure on the qualifying assets.

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2014

	Fees	Salaries, allowance and benefits- in- kind	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	118	249	13	—	380
Mr. Chang Zhangli	—	369	300	40	—	709
Mr. Peng Shou	—	418	540	25	—	983
Mr. Cui Xingtai	—	430	504	39	—	973
Non-executive directors						
Mr. Guo Chaomin	—	—	—	—	—	—
Mr. Huang Anzhong	—	—	—	—	—	
Ms. Cai Lijun	—	—	—	—	—	—
Independent non-executive directors						
Mr. Qiao Longde	125	—	—	—	—	125
Mr. Li Decheng	75	—	—	—	—	75
Mr. Ma Zhongzhi	75	—	—	—	—	75
Mr. Shin Fang	300	—	—	—	—	300
Mr. Wu Liansheng	300	—	—	—	—	300
Mr. Tang Yunwei	217	—	—	—	—	217
Mr. Zhao Lihua	217	—	—	—	—	217
Mr. Sun Yan Jun	50	—	—	—	—	50
Supervisors						
Mr. Wu Jiwei	—	—	—	—	—	—
Ms. Zhou Guoping	—	—	—	—	—	—
Ms. Cui Shuhong	—	172	97	40	—	309
Mr. Liu ZhiPing	—	174	97	40	—	311
Independent supervisors						
Mr. Wu Wei Ku	33	—	—	—	—	33
Mr. Liu Jian Wen	33	—	—	—	—	33
	1,425	1,681	1,787	197	—	5,090

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

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

Year ended 31 December 2013

	Fees	Salaries, allowance and benefits-in-kind	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	355	492	36	—	883
Mr. Chang Zhangli	—	365	254	36	—	655
Mr. Peng Shou	—	417	540	24	—	981
Mr. Cui Xingtai	—	426	484	36	—	946
Non-executive directors						
Mr. Guo Chaomin	—	—	—	—	—	—
Mr. Huang Anzhong	—	—	—	—	—	—
Ms. Cui Lijun	—	—	—	—	—	—
Independent non-executive directors						
Mr. Qiao Longde	300	—	—	—	—	300
Mr. Li Decheng	300	—	—	—	—	300
Mr. Ma Zhongzhi	300	—	—	—	—	300
Mr. Shin Fang	300	—	—	—	—	300
Mr. Wu Liansheng	300	—	—	—	—	300
Supervisors						
Mr. Wu Jiwei	—	—	—	—	—	—
Ms. Zhou Guoping	—	—	—	—	—	—
Ms. Cui Shuhong	—	154	92	36	—	282
Mr. Liu Zhiping	—	154	92	36	—	282
Independent supervisors						
Mr. Tang Yunwei	200	—	—	—	—	200
Mr. Zhao Lihua	200	—	—	—	—	200
	1,900	1,871	1,954	204	—	5,929

9 DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2013: none) of the directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining five (2013: five) individuals were as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and benefits-in-kind	**1,539**	2,054
Share appreciation rights	**—**	—
Discretionary bonuses	**6,177**	5,666
Retirement plan contributions	**158**	165
	7,874	7,885

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

	Number of the five highest paid individuals	
	2014	2013
Nil - HKD1,000,000 (equivalent to RMB786,200)	**—**	—
HKD1,000,001 - HKD1,500,000 (equivalent to RMB1,179,300)	**—**	—
HKD1,500,001 - HKD2,000,000 (equivalent to RMB1,572,400)	**3**	3
HKD2,000,001 - HKD2,500,000 (equivalent to RMB1,965,500)	**2**	2

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

10 PROFIT BEFORE INCOME TAX

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

	2014 *RMB'000*	2013 *RMB'000*
Depreciation of:		
— property, plant and equipment	**6,472,982**	5,434,419
— investment properties	**9,055**	9,354
	6,482,037	5,443,773
Amortisation of intangible assets	**346,205**	289,258
Total depreciation and amortisation	**6,828,242**	5,733,031
Impairment loss on available-for-sale financial assets	**759**	271
Impairment loss on goodwill	**2,257**	—
Impairment loss on property, plant and equipment recognised/(reversed)	**1,615**	(2,668)
Cost of inventories recognised as expenses	**81,298,297**	79,441,837
Prepaid lease payments released to the consolidated income statement	**334,898**	326,009
(Increase)/decrease in fair value of financial assets at fair value through profit or loss	**(316,657)**	57,766
Auditor's remuneration	**13,939**	12,328
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**8,426,082**	7,543,984
— Retirement plan contributions	**906,916**	786,951
Total staff costs	**9,332,998**	8,330,935
Allowance for bad and doubtful debts	**510,654**	253,550
Write down of inventories	**60,624**	2,085
Operating lease rentals	**228,879**	194,032
(Gain)/loss on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(6,406)**	47,635
Net foreign exchange losses	**47,545**	20,070

11 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statement

	2014 RMB'000	2013 RMB'000
Current income tax	**3,531,305**	3,188,243
Deferred income tax (Note 31)	**(649,941)**	(897,088)
	2,881,364	2,291,155

PRC income tax is calculated at 25% (2013: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

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

	2014 RMB'000	2013 RMB'000
Profit before income tax	**11,553,011**	10,603,025
Tax at domestic income tax rate of 25% (2013: 25%)	**2,888,252**	2,650,756
Tax effect of:		
Share of profits of associates	**(246,357)**	(157,634)
Expenses not deductible for tax purposes	**23,030**	96,687
Income not taxable for tax purposes	**(171,411)**	(90,634)
Tax effect of tax losses not recognised	**1,382,160**	389,254
Utilisation of previously unrecognised tax losses	**(449,086)**	(391,743)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment (Note)	**(9,700)**	(12,129)
Effect of different tax rates of subsidiaries	**(535,524)**	(193,402)
Income tax expense	**2,881,364**	2,291,155

11 INCOME TAX EXPENSE *(CONTINUED)*

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

Note:

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

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

	2014			2013		
	Before taxation	**Taxation charged (Note 31)**	**Net of taxation**	Before taxation	Taxation Credited (Note 31)	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Currency translation differences	**9,547**	**—**	**9,547**	72,404	—	72,404
Changes in fair value of available-for-sale financial assets (Note 31)	**86,918**	**(21,730)**	**65,188**	(271,775)	69,298	(202,477)
Shares of associates' other comprehensive expense, net	**82,134**	**—**	**82,134**	50,327	—	50,327
Other comprehensive expense/(income)	**178,599**	**(21,730)**	**156,869**	(149,044)	69,298	(79,746)

12 DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends paid	**863,844**	836,849
Proposed final dividend		
— RMB0.165 (2013: RMB0.16) per share (see below)	**890,839**	863,844

The final dividend of RMB890,839,333.23 in total (pre-tax) has been proposed by the board of directors on 24 March 2015.

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

13 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2014 RMB'000	2013 RMB'000
Profit attributable to owners of the Company	**5,919,541**	5,761,854

	2014 '000	2013 '000
Weighted average number of ordinary shares in issue	**5,399,026**	5,399,026

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

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2013	11,213,664	47,737,908	52,521,179	4,340,335	115,813,086
Additions	6,088,818	144,386	394,449	187,949	6,815,602
Acquisition of subsidiaries (Note 37(a))	1,928,763	7,257,630	6,090,994	1,578,377	16,855,764
Transfer from construction in progress	(10,876,013)	5,315,866	5,541,032	19,115	—
Transfer to construction in progress for reconstruction	423,972	(105,231)	(392,193)	(342)	(73,794)
Transfer to prepaid lease payments (Note 15)	—	(484)	—	—	(484)
Transfer to investment properties (Note 16)	—	(4,131)	—	—	(4,131)
Disposals	(8,372)	(46,970)	(157,465)	(75,837)	(288,644)
As at 31 December 2013 and 1 January 2014	8,770,832	60,298,974	63,997,996	6,049,597	139,117,399
Additions	4,778,337	1,952,978	738,684	121,515	7,591,514
Acquisition of subsidiaries (Note 37(a))	711,195	701,903	779,097	103,822	2,296,017
Transfer from construction in progress	(7,823,138)	3,581,003	4,237,781	4,354	—
Transfer to construction in progress for reconstruction	1,265,783	(693,478)	(1,075,681)	—	(503,376)
Transfer to prepaid lease payments (Note 15)	—	(2,126)	—	—	(2,126)
Disposals	(5,934)	(72,111)	(210,275)	(88,778)	(377,098)
Disposal of subsidiaries (Note 37(b))	(381,999)	(139,424)	(304,712)	(4,580)	(830,715)
As at 31 December 2014	7,315,076	65,627,719	68,162,890	6,185,930	147,291,615

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The Group *(continued)*

	Construction in progress *RMB'000*	**Land and buildings** *RMB'000*	**Plant and machinery** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Depreciation and impairment					
As at 1 January 2013	82,990	2,762,792	7,108,186	445,379	10,399,347
Charge for the year	—	1,418,822	3,369,924	645,673	5,434,419
Transfer to construction in progress for reconstruction	—	(10,884)	(62,725)	(185)	(73,794)
Transfer to prepaid lease payments (Note 15)	—	(22)	—	—	(22)
Transfer to investment properties (Note 16)	—	(646)	—	—	(646)
Disposals	—	(14,288)	(74,744)	(36,225)	(125,257)
Impairment loss (reversal)/recognised	(4,367)	—	1,699	—	(2,668)
As at 31 December 2013 and 1 January 2014	78,623	4,155,774	10,342,340	1,054,642	15,631,379
Charge for the year	—	1,731,031	4,056,508	685,443	6,472,982
Transfer to construction in progress for reconstruction	14,456	(101,143)	(416,689)	—	(503,376)
Transfer to prepaid lease payments (Note 15)	—	(624)	—	—	(624)
Disposals	—	(24,850)	(133,306)	(64,783)	(222,939)
Disposal of subsidiaries (Note 37(b))	—	(15,936)	(88,876)	(1,931)	(106,743)
Impairment loss recognised	1,615	—	—	—	1,615
As at 31 December 2014	94,694	5,744,252	13,759,977	1,673,371	21,272,294
Carrying values					
As at 31 December 2014	7,220,382	59,883,467	54,402,913	4,512,559	126,019,321
As at 31 December 2013	8,692,209	56,143,200	53,655,656	4,994,955	123,486,020

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

As at 31 December 2014, the carrying value of plant and machinery includes an amount of approximately RMB17,994.19 million (2013: approximately RMB8,982.65 million) in respect of assets held under finance leases.

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

	2014	2013
	RMB'000	*RMB'000*
Land and buildings	**1,539,656**	1,685,307
Plant and machinery	**9,341,538**	9,006,503
Motor vehicles	**420**	2,837
Total	**10,881,614**	10,694,647

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

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

At 31 December 2014, land and buildings with carrying value of approximately RMB5,086.26 million (2013: approximately RMB5,439.50 million) are still in the process of applying the title certificates.

15 PREPAID LEASE PAYMENTS

	2014 *RMB'000*	2013 *RMB'000*
Carrying amount		
As at 1 January	**13,939,811**	11,915,101
Additions	**606,576**	756,146
Acquisition of subsidiaries (Note 37(a))	**378,345**	1,620,719
Released to the consolidated income statement	**(334,898)**	(326,009)
Disposals	**(2,125)**	(13,789)
Disposal of subsidiaries (Note 37(b))	**(130,471)**	—
Transfer from property, plant and equipment (Note 14)	**1,502**	462
Transfer from investment properties (Note 16)	**327**	—
Exchange difference	**(2,913)**	(12,819)
As at 31 December	**14,456,154**	13,939,811

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

	2014 *RMB'000*	2013 *RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**14,107,910**	13,612,734
Current portion included in trade and other receivables (Note 25)	**348,244**	327,077
	14,456,154	13,939,811

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

As at 31 December 2014, prepaid lease payments with carrying value of approximately RMB99.59 million (2013: approximately RMB107.48 million) are still in the process of applying the title certificates.

As at 31 December 2014, the Group has pledged prepaid lease payments with a carrying value of approximately RMB531.76 million (2013: approximately RMB1,071.63 million) to secure bank borrowings granted to the Group.

16 INVESTMENT PROPERTIES

	2014 RMB'000	2013 RMB'000
Cost		
As at 1 January	**393,316**	390,385
Disposals	**(2,215)**	(1,200)
Transfer from property, plant and equipment (Note 14)	**—**	4,131
Transfer to prepaid lease payments (Note 15)	**(423)**	—
As at 31 December	**390,678**	393,316
Depreciation		
As at 1 January	**81,247**	71,543
Charge for the year	**9,055**	9,354
Disposals	**—**	(296)
Transfer from property, plant and equipment (Note 14)	**—**	646
Transfer to prepaid lease payments (Note 15)	**(96)**	—
As at 31 December	**90,206**	81,247
Carrying values		
As at 31 December	**300,472**	312,069

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2013: 2.38%) per annum.

As at 31 December 2014, the Group has pledged investment properties with carrying value of approximately of RMB198.48 million (2013: approximately RMB230.33 million) to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2014 was approximately RMB750.11 million (2013: approximately RMB691.61 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB54.22 million (2013: approximately RMB49.82 million). Direct operating expenses arising on the investment properties amounted to approximately RMB18.57 million (2013: approximately RMB16.93 million).

17 GOODWILL

	2014 RMB'000	2013 RMB'000
As at 1 January	**42,310,902**	31,002,443
Arising from acquisition of subsidiaries (Note 37(a))	**558,123**	11,308,459
Disposal of subsidiaries (Note 37(b))	**(19,441)**	—
Impairment loss for the year	**(2,257)**	—
As at 31 December	**42,847,327**	42,310,902

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

	2014 RMB'000	2013 RMB'000
Cement	**33,928,623**	33,447,836
Concrete	**8,791,330**	8,719,356
Lightweight building materials	**92,552**	92,188
Glass fiber and composite materials	**15,991**	32,690
Engineering services	**62**	62
Others	**18,769**	18,770
	42,847,327	42,310,902

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

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

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

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

18 INTANGIBLE ASSETS

	Mining rights RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost			
As at 1 January 2013	3,703,186	272,509	3,975,695
Additions	846,812	40,099	886,911
Acquisition of subsidiaries (Note 37(a))	517,825	7,910	525,735
Disposals	(52,870)	(20,732)	(73,602)
As at 31 December 2013 and 1 January 2014	5,014,953	299,786	5,314,739
Additions	1,103,204	47,204	1,150,408
Acquisition of subsidiaries (Note 37(a))	60,486	1,281	61,767
Disposals	—	(440)	(440)
Disposal of subsidiaries (Note 37(b))	—	(39,391)	(39,391)
As at 31 December 2014	6,178,643	308,440	6,487,083
Amortisation and impairment			
As at 1 January 2013	491,773	63,278	555,051
Charge for the year	248,244	41,014	289,258
Disposals	(23,166)	(12,529)	(35,695)
As at 31 December 2013 and 1 January 2014	716,851	91,763	808,614
Charge for the year	294,748	51,457	346,205
Disposal of subsidiaries (Note 37(b))	—	(4,088)	(4,088)
Disposals	—	(51)	(51)
As at 31 December 2014	1,011,599	139,081	1,150,680
Carrying values			
As at 31 December 2014	5,167,044	169,359	5,336,403
As at 31 December 2013	4,298,102	208,023	4,506,125

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

As at 31 December 2013, the Group has pledged mining rights with carrying value of approximately RMB36.56 million to secure bank borrowings granted to the Group.

The directors of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised for the years ended 31 December 2014 and 31 December 2013 in the consolidated income statement.

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2014 and 31 December 2013, which are established and operated in the PRC, are as follows:

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2014 %	Direct 2013 %	Indirect 2014 %	Indirect 2013 %	Principal activities
BNBM (Note i, ii, iii)	RMB706,990,796	**45.20**	52.40	**–**	–	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") (Note iv))	RMB155,625,000	**–**	–	**29.38**	34.06	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited (Note iv))	RMB80,000,000	**–**	–	**45.20**	52.40	Production and sale of lightweight building materials
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**–**	–	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**–**	–	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**–**	–	**80.88**	80.88	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**–**	–	**100.00**	100.00	Production and sale of cement
Taishan China United Cement Company Limited	RMB270,000,000	**–**	–	**95.68**	95.68	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**–**	–	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**–**	–	**100.00**	100.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**–**	–	**100.00**	100.00	Production and sale of cement
Xuzhou China United Cement Company Limited	RMB346,940,000	**–**	–	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement")	RMB1,000,000,000	**80.00**	80.00	**–**	–	Production and sale of cement

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2014 %	Direct 2013 %	Indirect 2014 %	Indirect 2013 %	Principal activities
Zhe Jiang South Cement Company Limited	RMB1,000,000,000	**–**	–	**80.00**	80.00	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**–**	–	**80.00**	80.00	Production and sale of cement
Hunan South Cement Company Limited	RMB3,000,000,000	**–**	–	**80.00**	80.00	Production and sale of cement
Jiangxi South Cement Company Limited	RMB3,000,000,000	**–**	–	**80.00**	80.00	Production and sale of cement
Guangxi South Cement Company Limited	RMB1,000,000,000	**–**	–	**80.00**	80.00	Production and sale of cement
North Cement Company Limited (“North Cement”)(Note v)	RMB4,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement
Heilongjiang Binzhou Cement Company Limited (“Binzhou Cement”)	RMB50,000,000	**–**	–	**70.00**	70.00	Production and sale of cement
South West Cement Company Limited (“Southwest Cement”) (Note vi)	RMB10,000,000,000	**70.00**	70.00	**–**	–	Production and sale of cement
Chongqing Southwest Cement Company Limited (Note iv)	RMB2,000,000,000	**–**	–	**70.00**	70.00	Production and sale of cement
China Composites Group Corporation Limited (“China Composites”)	RMB350,000,000	**100.00**	100.00	**–**	–	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited	RMB261,307,535	**–**	–	**62.96**	62.96	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**–**	–	**75.00**	75.00	Production and sale of PVC tiles

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital	Attributable equity interest to the Company Direct 2014 %	Direct 2013 %	Indirect 2014 %	Indirect 2013 %	Principal activities
China Triumph International Engineering Company Limited ("China Triumph")	RMB220,000,000	**91.00**	91.00	**–**	–	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited	RMB5,000,000	**–**	–	**66.43**	66.43	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited (Note iv)	RMB100,000,000	**–**	–	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**–**	–	**91.00**	91.00	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,00	**100.00**	100.00	**–**	–	Sale of lightweight building materials

Notes:

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

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

(iii) On 30 September 2014, BNBM offered private placements on listed shares with sales restriction and raised of RMB2,120 million as registered share capital and RMB1,962 million as share premium. After that, the Group's effective equity interests in BNBM were diluted from 52.40% to 45.20%. BNBM is controlled by the Group by virtue of the dominant voting interest in BNBM, dispersion of holding of other vote holders, participation rate of shareholders and previous shareholders' meetings.

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

(v) On 24 January 2013, non-controlling interests of North Cement injected additional share capital of RMB400.00 million as registered share capital and RMB100.00 million as share premium. After that, the Group's effective equity interests in North Cement were diluted from 77.78% to 70.00%.

(vi) On 24 June 2013, non-controlling interests of Southwest Cement injected additional share capital of RMB2,130 million into Southwest Cement as registered share capital. After that, the Group's effective equity interests in Southwest Cement were diluted from 88.95% to 70.00%.

(vii) 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.

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) South Cement and its subsidiaries

	2014 ***RMB'000***	2013 *RMB'000*
Current assets	**31,030,208**	27,405,020
Non-current assets	**62,766,771**	62,786,962
Current liabilities	**(58,623,020)**	(53,507,764)
Non-current liabilities	**(13,941,439)**	(17,410,520)
Non-controlling interests	**(5,111,160)**	(4,604,635)
Equity attributable to owners of the Company	**16,121,360**	14,669,063
Revenue	**44,662,362**	45,033,608
Expenses	**(42,113,016)**	(42,541,365)
Profit for the year	**2,549,346**	2,492,243
Profit attributable to owners of the Company	**1,859,527**	1,848,735
Profit attributable to the non-controlling interests	**689,819**	643,508
Profit for the year	**2,549,346**	2,492,243
Other comprehensive income attributable to owners of the Company	**74,024**	—
Other comprehensive income attributable to the non-controlling interests	**—**	—
Other comprehensive income for the year	**74,024**	—
Total comprehensive income for the year	**2,623,370**	2,492,243

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(i) South Cement and its subsidiaries *(continued)*

	2014	2013
	RMB'000	*RMB'000*
Total comprehensive income attributable to owners of the Company	**1,933,551**	1,848,735
Total comprehensive income attributable to the non-controlling interests	**689,819**	643,508
Total comprehensive income for the year	**2,623,370**	2,492,243
Dividends paid to non-controlling interests	**164,268**	166,507
Net cash inflow from operating activities	**6,238,439**	5,108,348
Net cash outflow from investing activities	**(870,545)**	(6,007,547)
Net cash (outflow)/inflow from financing activities	**(5,707,669)**	694,908
Net cash outflow	**(339,775)**	(204,291)

(ii) Southwest Cement and its subsidiaries

	2014	2013
	RMB'000	*RMB'000*
Current assets	**15,108,329**	12,818,622
Non-current assets	**56,191,033**	55,794,399
Current liabilities	**(43,083,736)**	(37,064,436)
Non-current liabilities	**(15,210,180)**	(19,525,967)
Non-controlling interests	**(4,194,927)**	(3,768,293)
Equity attributable to owners of the Company	**8,810,516**	8,254,325
Revenue	**21,365,542**	19,923,022
Expenses	**(19,582,571)**	(18,182,014)
Profit for the year	**1,782,971**	1,741,008

19 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Summarised financial information in respect of each of the Group's sub-group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. *(continued)*

(ii) Southwest Cement and its subsidiaries *(continued)*

	2014	2013
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**1,236,934**	1,340,598
Profit attributable to the non-controlling interests	**546,037**	400,410
Profit for the year	**1,782,971**	1,741,008
Other comprehensive income attributable to owners of the Company	**—**	—
Other comprehensive income attributable to the non-controlling interests	**—**	—
Other comprehensive income for the year	**—**	—
Total comprehensive income attributable to owners of the Company	**1,236,934**	1,340,598
Total comprehensive income attributable to the non-controlling interests	**546,037**	400,410
Total comprehensive income for the year	**1,782,971**	1,741,008
Dividends paid to non-controlling interests	**143,561**	43,077
Net cash inflow from operating activities	**5,081,710**	2,838,756
Net cash outflow from investing activities	**(4,883,442)**	(9,535,615)
Net cash (outflow)/inflow from financing activities	**(115,819)**	6,903,691
Net cash inflow	**82,449**	206,832

20 INTERESTS IN ASSOCIATES

	2014	2013
	RMB'000	*RMB'000*
Cost of investments in associates		
— listed in the PRC	**1,761,562**	1,761,361
— listed in Hong Kong	**1,240,038**	—
— unlisted	**3,968,046**	3,941,361
Share of post-acquisition profit, net of dividend received	**3,062,902**	2,048,401
	10,032,548	7,751,123
Fair value of listed investments	**8,850,882**	3,731,334
Share of profits of associates	**985,426**	630,536

As at 31 December 2014, the cost of investments in associates included goodwill of associates of approximately RMB1,045.83 million (2013: approximately RMB1,033.97 million).

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

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

Set out below are the associates of the Group as at 31 December 2014, which in the opinion of the directors are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group:

Name of associate	Nominal value of registered capital	Attributable direct equity interest to the Group		Principal activities
		2014	2013	
		%	%	
China Jushi Co., Ltd ("China Jushi") (Note i)	RMB872,629,500	**33.82**	32.79	Production of glass fiber
Shangdong Quan Xing China United Cement Company Limited ("Shangdong Quan Xing")	RMB2,000,000,000	**49.00**	49.00	Sales and production of cement
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") (Note ii)	RMB1,000,000,000	**50.00**	50.00	Production of cement

Notes:

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

(ii) Nanfang Wanniangqing was considered as an associate of the Group because South Cement can only nominate 2 out of 5 directors of the Board of Directors. Therefore, the Group only have significant influence but not control in Nanfang Wannianqing.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

(a) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

China Jushi

	2014 **RMB'000**	2013 RMB'000
Current assets	**5,674,674**	6,432,543
Non-current assets	**13,496,803**	12,798,032
Current liabilities	**(10,118,385)**	(9,297,903)
Non-current liabilities	**(4,971,788)**	(6,143,822)
Non-controlling interests	**(73,546)**	(83,413)
Revenue	**6,268,154**	5,209,641
Profit for the year	**460,808**	333,616
Other comprehensive expenses for the year	**(11,926)**	(168,341)
Total comprehensive income for the year	**448,882**	165,275
Dividends received from the associate during the year	**32,334**	27,650

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Jushi recognised in the consolidated financial statements:

	2014 **RMB'000**	2013 RMB'000
Net assets of the associates	**4,007,758**	3,705,437
Proportion of the Group's ownership interest in China Jushi	**33.82%**	32.79%
Group's share of net assets of the associate	**1,355,424**	1,215,013
Goodwill	**18,693**	18,693
Carrying amount of the Group's interest in China Jushi	**1,374,117**	1,233,706

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

(b) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Shangdong Quan Xing

	2014	2013
	RMB'000	*RMB'000*
Current assets	**1,605,476**	1,371,059
Non-current assets	**3,843,167**	3,114,366
Current liabilities	**(1,612,244)**	(1,368,052)
Non-current liabilities	**(1,449,332)**	(950,000)
Non-controlling interest	**(257,196)**	—
Revenue	**1,847,177**	880,660
Profit for the year	**264,324**	167,399
Total comprehensive income for the year	**264,324**	167,399

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shangdong Quan Xing recognised in the consolidated financial statements:

	2014	2013
	RMB'000	*RMB'000*
Net assets of the associate	**2,129,871**	2,167,373
Proportion of the Group's ownership interest in Shangdong Quan Xing	**49%**	49%
Carrying amount of the Group's interest in Shangdong Quan Xing	**1,043,637**	1,062,013

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

(c) Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Nanfang Wannianqing

	2014 *RMB'000*	2013 *RMB'000*
Current assets	**1,608,951**	1,510,998
Non-current assets	**3,366,092**	3,040,656
Current liabilities	**(1,659,797)**	(1,812,665)
Non-current liabilities	**(361,302)**	(270,588)
Non-controlling interests	**(569,403)**	(605,711)
Revenue	**4,032,127**	3,847,088
Profit for the year	**650,372**	487,150
Total comprehensive income for the year	**650,372**	487,150

Reconciliation of the above summarised financial information to the carrying amount of the interest in Nanfang Wannianqing recognised in the consolidated financial statements:

	2014 *RMB'000*	2013 *RMB'000*
Net assets of the associates	**2,384,541**	1,862,690
Proportion of the Group's ownership interest in Nanfang Wannianqing	**50%**	50%
Carrying amount of the Group's interest in Nanfang Wannianqing	**1,192,271**	931,345

20 INTERESTS IN ASSOCIATES *(CONTINUED)*

(d) Aggregate information of associates that are not individually material

	2014	2013
	RMB'000	*RMB'000*
The Group's share of profit from continuing operations	**374,876**	183,048
The Group's share of other comprehensive (expenses)/income	**(78,101)**	4,872
The Group's share of total comprehensive income	**296,775**	187,920
Aggregate carrying amount of the Group's interests in these associates	**6,422,523**	2,887,344

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	RMB'000	*RMB'000*
Available-for-sale financial assets		
— Unlisted equity shares, at cost (Note)	**294,907**	294,449
— Listed equity shares listed in Hong Kong	**733,255**	918,871
— Listed equity shares listed outside Hong Kong	**273,527**	174,829
	1,301,689	1,388,149

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 *RMB'000*	2013 *RMB'000*
Held-for-trading investments at market value:		
— Quoted investment funds listed outside Hong Kong	**499**	697
— Quoted listed equity shares listed outside Hong Kong	**799,880**	189,200
	800,379	189,897
Unlisted investments (Note)	**1,178,325**	—
	1,978,704	189,897

Note: During the year 2014, the Group entered into certain investments with certain financial institutions. The investments based on respective contracts have maturity dates within 3 months.

23 DEPOSITS

	2014 *RMB'000*	2013 *RMB'000*
Investment deposits for acquisition of subsidiaries	**1,000,280**	1,655,065
Deposits paid to acquire property, plant and equipment	**3,394,155**	4,035,339
Deposits paid to acquire intangible assets	**1,534,593**	1,923,124
Deposits paid in respect of prepaid lease payments	**655,961**	683,536
	6,584,989	8,297,064

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

24 INVENTORIES

	2014 *RMB'000*	2013 *RMB'000*
Raw materials	**10,049,568**	9,383,308
Work-in-progress	**2,593,115**	1,766,250
Finished goods	**3,647,646**	3,298,892
Consumables	**373,108**	272,554
	16,663,437	14,721,004

25 TRADE AND OTHER RECEIVABLES

	2014 *RMB'000*	2013 *RMB'000*
Trade receivables, net of allowance for bad and doubtful debts (Note (b))	**27,306,027**	23,256,628
Bills receivable (Note (c))	**7,718,472**	6,111,533
Amounts due from customers for contract work (Note 27)	**3,401,529**	1,417,922
Prepaid lease payments (Note 15)	**348,244**	327,077
Other receivables, deposits and prepayments	**22,198,207**	21,098,029
	60,972,479	52,211,189

Notes:

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

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

	2014 *RMB'000*	2013 *RMB'000*
Within two months	**8,752,842**	9,157,388
More than two months but within one year	**14,209,370**	10,190,442
Between one and two years	**3,475,323**	3,367,852
Between two and three years	**550,969**	400,834
Over three years	**317,523**	140,112
	27,306,027	23,256,628

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

25 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB5,691.29 million (2013: approximately RMB5,284.76 million) which are over the credit period at the reporting date for which the Group has not provided allowance for bad and doubtful debts in accordance with the Group's policy and no further impairment loss was made. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2014, the retention receivables of approximately RMB105.53 million (2013: approximately RMB355.28 million) and receivables within contractual payment term of approximately RMB301.50 million (2013: approximately RMB294.30 million) with ageing over one year are not past due.

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

	2014	2013
	RMB'000	*RMB'000*
More than two months but within one year	**2,045,806**	2,031,127
Between one and two years	**2,929,310**	2,755,947
Between two and three years	**430,305**	368,549
Over three years	**291,801**	129,137
	5,697,222	5,284,760

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

	2014	2013
	RMB'000	*RMB'000*
As at 1 January	**1,828,664**	1,461,757
Additions from acquisition of subsidiaries	**146,228**	113,357
Allowances for bad and doubtful debts	**510,654**	253,550
As at 31 December	**2,485,546**	1,828,664

25 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

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

	2014 *RMB'000*	2013 *RMB'000*
RMB	**64,378,177**	51,158,848
EUR	**512,053**	68,301
PGK	**30,583**	38,968
USD	**688,092**	695,508
KZT	**12,436**	7,431
AUD	**10,878**	15,585
GBP	**276,518**	163,700
Others	**165,169**	62,848
	66,073,906	52,211,189

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

(g) As at 31 December 2014, approximately RMB1,333.96 million (2013: approximately RMB686.72 million) of the trade receivables and approximately RMB149.34 million (2013: approximately RMB1,593.61 million) of bills receivable have pledged to secure bank loans granted to the Group.

26 AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2014	2013
	RMB'000	*RMB'000*
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**2,792,535**	2,457,584
Associates	**622,336**	604,344
Non-controlling interests of subsidiaries	**555,015**	308,945
	3,969,886	3,370,873
Non-trading in nature:		
Fellow subsidiaries	**1,557,711**	565,734
Associates	**4,878,261**	3,899,408
Immediate holding company	**46**	46
Non-controlling interests of subsidiaries	**684,523**	423,177
	7,120,541	4,888,365
	11,090,427	8,259,238
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**442,306**	292,612
Associates	**205,205**	146,598
Immediate holding company	**3,233**	—
Non-controlling interests of subsidiaries	**590,421**	143,499
	1,241,165	582,709
Non-trading in nature:		
Fellow subsidiaries	**86,877**	54,630
Associates	**15,065**	22,863
Immediate holding company	**213**	308,337
Non-controlling interests of subsidiaries	**370,511**	1,554,172
	472,666	1,940,002
	1,713,831	2,522,711

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

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

As at 31 December 2014, amounts due from related parties of approximately RMB6,402.89 million (2013: approximately RMB3,832.55 million) carry the fixed interest rate of 6.00% (2013: 6.00%) per annum. The remaining balances of amounts due from related parties are interest- free.

As at 31 December 2014, amounts due to related parties of approximately RMB652.83 million (2013: approximately RMB403.26 million) carry the fixed interest rate of 6.00% (2013: 6.00%). The remaining balances of amounts due to related parties are interest-free.

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

	2014 ***RMB'000***	2013 *RMB'000*
Contracts in progress at reporting date analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**15,443,916**	3,637,102
Less: progress billings	**(12,390,251)**	(2,245,242)
	3,053,665	1,391,860
Amounts due from contract customers included in trade and other receivables (Note 25)	**3,401,529**	1,417,922
Amounts due to contract customers included in trade and other payables (Note 29)	**(347,864)**	(26,062)
	3,053,665	1,391,860

As at 31 December 2014, advances received from customers for contract work amounted to approximately RMB347.86 million (2013: approximately RMB26.06 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 25, amounted to approximately RMB2,503.70 million (2013: approximately RMB355.28 million).

28 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

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

	2014	2013
	RMB'000	*RMB'000*
USD	**329,128**	221,840
EUR	**52,456**	75,544
JPY	**3,182**	34
PGK	**145,122**	118,023
SAR	**8,150**	2,176
HKD	**9,122**	10,433
VND	**1,673**	1,669
KZT	**1,151**	9,036
AUD	**10,920**	4,043
Others	**11,387**	340
	572,291	443,138

As at 31 December 2014, the Group pledged approximately RMB5,704.07 million (2013: approximately RMB2,895.51 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.35% to 2.85% (2013: range from 0.35% to 2.80%) per annum.

29 TRADE AND OTHER PAYABLES

Ageing analysis of trade and other payables is as follows:

	2014 **RMB'000**	2013 *RMB'000*
Within two months	**7,046,574**	9,019,625
More than two months but within one year	**7,893,131**	7,616,287
Between one and two years	**2,540,645**	2,040,332
Between two and three years	**759,596**	450,458
Over three years	**436,910**	300,173
Trade payables	**18,676,856**	19,426,875
Bills payable	**11,782,823**	5,934,386
Amounts due to customers for contract work (Note 27)	**347,864**	26,062
Other payables	**20,464,238**	22,939,742
	51,271,781	48,327,065

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

30 BORROWINGS

	2014 **RMB'000**	2013 *RMB'000*
Bank borrowings		
— Secured	**3,988,855**	6,497,988
— Unsecured	**114,634,893**	117,510,260
	118,623,748	124,008,248
Bonds (Note)	**58,400,000**	46,200,000
	177,023,748	170,208,248
Analysed for reporting purposes:		
— Non-current	**37,731,114**	56,866,432
— Current	**139,292,634**	113,341,816
	177,023,748	170,208,248

30 BORROWINGS *(CONTINUED)*

Note:

As at 31 December 2014, the following bonds/notes are still outstanding:

Issuer	Name	Issue Amount *RMB'000*	Issue Date	Period	Coupon rate *(%)*
CNBM	2007 CNBM Domestic Corporate Bonds	1,000,000	09-Apr-07	10 years	4.32%
CNBM	2012 CNBM 1st tranche Medium-term Notes	2,000,000	16-Mar-12	3 years	4.72%
CNBM	2012 CNBM 2nd tranche Medium-term Notes	4,000,000	15-Aug-12	5 years	4.59%
CNBM	2014 CNBM 2nd tranche Medium-term Notes	3,000,000	07-Nov-13	3 years	5.00%
CNBM	2014 4th tranche Super Short-term Commercial Paper	4,500,000	28-Apr-14	270 days	5.10%
CNBM	2014 6th tranche Super Short-term Commercial Paper	4,500,000	19-May-14	270 days	5.10%
CNBM	2014 7th tranche Super Short-term Commercial Paper	4,500,000	01-Jul-14	270 days	5.00%
CNBM	2014 8th tranche Super Short-term Commercial Paper	3,500,000	10-Jul-14	270 days	4.80%
CNBM	2014 9th tranche Super Short-term Commercial Paper	3,500,000	15-Aug-14	270 days	4.75%
CNBM	2014 10th tranche Super Short-term Commercial Paper	2,000,000	22-Aug-14	270 days	4.75%
BNBM	2014 1st tranche Short-term Commercial Paper	600,000	11-Mar-14	1 year	5.70%
China Composite	2014 1st tranche Short-term Debentures	500,000	28-Nov-14	1 year	4.92%
China United	2014 1st tranche Short-term Commercial Paper	2,000,000	05-Mar-14	1 year	5.50%
China United	2014 Private Placement note 001	1,000,000	28-Jul-14	1 year	6.30%
China United	2014 Private Placement note 002	1,000,000	28-Aug-14	1 year	6.30%
China United	2014 Private Placement note 003	1,000,000	30-Oct-14	1 year	5.70%
China United	2014 Private Placement note 004	1,000,000	28-Nov-14	1 year	5.60%

30 BORROWINGS *(CONTINUED)*

Note: *(CONTINUED)*

As at 31 December 2014, the following bonds/notes are still outstanding: *(CONTINUED)*

Issuer	Name	Issue Amount *RMB'000*	Issue Date	Period	Coupon rate *(%)*
China Triumph	2014 1st tranche Short-term Commercial Paper	900,000	21-Jul-14	1 year	5.66%
China Triumph	2014 Private Placement note 001	400,000	13-Jun-14	1 year	6.70%
China Triumph	2014 Private Placement note 002	400,000	26-Sep-14	1 year	6.35%
South Cement	2012 Private Placement note 001	2,000,000	30-Jul-12	3 years	5.30%
South Cement	2013 Private Placement note 001	100,000	06-Nov-13	3 years	6.15%
South Cement	2014 1st tranche Short-term Commercial Paper	1,500,000	17-Feb-14	1 year	5.80%
South Cement	2014 2nd tranche Short-term Commercial Paper	1,500,000	16-Apr-14	1 year	5.48%
South Cement	2014 3nd tranche Short-term Commercial Paper	900,000	08-Jul-14	1 year	4.85%
South Cement	2014 4nd tranche Short-term Commercial Paper	1,500,000	26-Sep-14	1 year	5.10%
South Cement	2014 1st tranche Super Short-term Commercial Paper	1,500,000	10-Oct-14	270 days	4.94%
South Cement	2014 2nd tranche Super Short-term Commercial Paper	1,500,000	06-Nov-14	270 days	4.20%
South Cement	2014 Private Placement note 001	1,200,000	10-Sep-14	2 years	5.90%
Southwest Cement	2014 1st tranche Short-term Commercial Paper	1,500,000	16-Oct-14	1 year	4.75%
Southwest Cement	2014 2nd tranche Short-term Commercial Paper	700,000	05-Dec-14	1 year	5.50%
North Cement	2014 1st tranche Short-term Commercial Paper	1,200,000	15-May-14	1 year	5.60%
North Cement	2014 2nd tranche Short-term Commercial Paper	1,000,000	05-Jun-14	1 year	5.48%
North Cement	2014 1st tranche Super Short-term Commercial Paper	1,000,000	05-Dec-14	270 days	5.40%
Total		58,400,000			

30 BORROWINGS *(CONTINUED)*

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

	2014 *RMB'000*	2013 *RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**51,989,895**	31,070,464
Between one and two years	**7,706,566**	3,022,945
Between two and three years	**2,078,582**	4,283,300
Between three and four years	**568,947**	634,400
Between four and five years	**602,927**	458,900
More than five years	**557,484**	146,534
	63,504,401	39,616,543
Variable rate bank borrowings repayable:		
Within one year	**38,043,917**	45,161,352
Between one and two years	**7,503,801**	16,698,296
Between two and three years	**4,640,810**	14,166,917
Between three and four years	**2,646,340**	4,471,885
Between four and five years	**1,201,655**	3,591,830
More than five years	**1,082,824**	301,425
	55,119,347	84,391,705

	2014	2013
Effective interest rate per annum		
Fixed rate borrowings	**2.75% to 7.8%**	3.12% to 7.8%
Variable rate borrowings	**2% to 6.04%**	2% to 8%

The carrying amount of borrowings approximate to their fair value.

30 BORROWINGS *(CONTINUED)*

As at 31 December 2014, bank borrowings of approximately RMB482.15 million (2013: approximately RMB1,656.95 million) were guaranteed by independent third parties.

The borrowings denominated in AUD, EUR, USD and HKD of approximately RMB14.36 million, RMB415.12 million, RMB10.77 million and RMB192.75 million respectively (2013: approximately RMB10.32 million, RMB60.79 million, RMB483.92 million and RMB Nil, respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB3,988.86 million (2013: approximately RMB6,497.99 million) are secured by the following assets of the Group:

	2014	2013
	RMB'000	*RMB'000*
Property, plant and equipment (Note 14)	**10,881,614**	10,694,647
Prepaid lease payments (Note 15)	**531,758**	1,071,633
Investment properties (Note 16)	**198,482**	230,326
Mining rights (Note 18)	**—**	36,563
Cash and cash equivalents (Note 28)	**5,704,068**	2,895,511
Trade receivables (Note 25)	**1,333,957**	686,724
Bills receivable (Note 25)	**149,342**	1,593,613
	18,799,221	17,209,017

31 DEFERRED INCOME TAX

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

	Fair value adjustments on available- for-sale investment	Fair value adjustments on properties	Fair value adjustments on intangible assets	Fair value adjustments on prepaid lease payments	Write down of inventories and trade and other receivables	Impairment for properties	Tax losses	Financial guarantee contracts	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2013	(3,551)	(704,784)	(1,027,865)	(366,975)	241,988	840,473	557,009	16,878	225,904	(220,923)
Arising from acquisition of subsidiaries (Note 37(a))	(59, 945)	(214,033)	(139,318)	8,991	23,023	103,093	(3,046)	—	27,392	(253,843)
Credit/(charge) to the consolidated income statement (Note 11(a))	14,575	92,432	15,420	4,683	48,282	(11,671)	752,713	(675)	(18,671)	897,088
Credit to the consolidated other comprehensive income (Note 11(b))	(69,298)	—	—	—	—	—	—	—	—	(69,298)
As at 31 December 2013 and 1 January 2014	(118,219)	(826,385)	(1,151,763)	(353,301)	313,293	931,895	1,306,676	16,203	234,625	353,024
Arising from acquisition of subsidiaries (Note 37(a))	—	(14,289)	(12,153)	—	5,591	10,623	—	—	7,856	(2,372)
Arising from disposal of subsidiaries (Note 37(b))	—	755	540	—	—	—	—	—	—	1,295
Credit/(charge) to the consolidated income statement (Note 11(a))	(7,637)	103,631	31,220	—	71,275	(85,143)	415,800	(116)	120,911	649,941
Charge to the consolidated other comprehensive income (Note 11(b))	21,730	—	—	—	—	—	—	—	—	21,730
As at 31 December 2014	(104,126)	(736,288)	(1,132,156)	(353,301)	390,159	857,375	1,722,476	16,087	363,392	1,023,618

31 DEFERRED INCOME TAX *(CONTINUED)*

	2014 RMB'000	2013 RMB'000
For presentation purpose:		
Deferred income tax assets	**3,251,399**	2,710,241
Deferred income tax liabilities	**(2,227,781)**	(2,357,217)
	1,023,618	353,024

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

	2014 RMB'000	2013 RMB'000
Unused tax losses expiring in:		
2014	**—**	210,157
2015	**870,177**	282,118
2016	**735,499**	934,914
2017	**2,982,342**	1,539,443
2018	**3,260,521**	1,374,261
2019	**5,458,286**	—
	13,306,825	4,340,893

32 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2014, certain fixtures and equipment are under finance leases. The average lease term is 2 to 6 years (2013: 2 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 5.16% to 7.68% (2013: 5.84% to 7.44%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**4,620,063**	2,791,361	**4,490,609**	2,678,785
In more than one year but not more than two years	**2,571,038**	2,455,209	**2,193,819**	2,052,416
In more than two years but not more than five years	**8,527,564**	7,277,918	**6,948,744**	5,928,385
	15,718,665	12,524,488	**13,633,172**	10,659,586
Less: future finance charge	**(2,085,493)**	(1,864,902)	**N/A**	N/A
Present value of lease obligations	**13,633,172**	10,659,586	**13,633,172**	10,659,586
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(4,490,609)**	(2,678,785)
			9,142,563	7,980,801

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

33 FINANCIAL GUARANTEE CONTRACTS

	2014 *RMB'000*	2013 *RMB'000*
As at 1 January	**57,444**	60,150
Financial guarantee recognised	**(463)**	(2,706)
As at 31 December	**56,981**	57,444

Subsidiaries had guaranteed bank borrowings of former related parties which are independent to the Group, which arising on the acquisition of subsidiaries of approximately RMBNil million (2013: approximately RMB85 million) for independent third parties. The fair value of the guarantees granted amounting to approximately RMB57 million (2013: approximately RMB57 million) is recognised as a liability.

34 SHARE CAPITAL

	Domestic Shares (Note (a))		**H Shares** (Note (b))		
	Number of shares	**Amount** *RMB'000*	**Number of shares**	**Amount** *RMB'000*	**Total capital** *RMB'000*
Registered and paid up shares of RMB1.0 each					
As at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

Notes:

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

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

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

35 RESERVES

(a) Statutory surplus reserve fund

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

(b) Fair value reserve

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

36 PERPETUAL CAPITAL INSTRUMENTS

On 3 November 2014, the Group issued the perpetual interest-bearing debentures in an aggregate principle amount of RMB5,000 million with a coupon rate of 5.70% for the first five interest-bearing years. The net proceeds after deducting the issuance cost amounted to approximately RMB4,955 million. Unless a mandatory interest payment event has occurred, on each interest payment date of the perpetual medium-term debentures, the Group can elect to defer payment of interest due and all interest deferred pursuant to this term and its fruits to the next interest payment date without any limitation on the number of times of such deferral. The aforesaid deferral of interest shall not constitute a default by the Group. Interest shall accrue on the deferred interest at the prevailing coupon rate over the period of deferral. The perpetual medium-term debentures have no maturity date and will continue indefinitely until redeemed by the Group in accordance with their terms. The Group is entitled to redeem the perpetual capital instruments at par value plus payable interest (including all deferred interest) on the fifth and each of the subsequent interest payment dates of the perpetual medium-term debentures. If the Group does not exercise the right of redemption, the coupon rate will be reset every five years from the sixth interest-bearing year onwards.

No above interest payment has paid by the Group to the holders of this perpetual capital instrument for the year ended 31 December 2014.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

In the year of 2014, the Group acquired 18 (2013: 141) subsidiaries and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries and business are principally engaged in the production, storage and sale of cement and concrete.

These acquisitions have been accounted for using the purchase method.

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

	2014 Fair value *RMB'000*	2013 Fair value *RMB'000*
Net assets acquired:		
Property, plant and equipment (Note 14)	**2,296,017**	16,855,764
Intangible assets (Note 18)	**61,767**	525,735
Interests in associates	**16,518**	—
Prepaid lease payments (Note 15)	**378,345**	1,620,719
Available-for-sale financial assets	**500**	100
Deferred income tax assets (Note 31)	**24,070**	150,462
Inventories	**280,673**	1,463,939
Trade and other receivables	**1,451,801**	5,386,193
Amounts due from the related parties	**37,702**	38,118
Pledged bank deposits	**405,825**	121,730
Cash and cash equivalents	**180,912**	889,284
Trade and other payables	**(2,169,392)**	(16,013,979)
Current income tax liabilities	**457**	(45,716)
Dividend payable to non-controlling interests	**(46,730)**	(69,667)
Amounts due to the related parties	**(32,400)**	(270,823)
Borrowings	**(1,548,989)**	(3,797,570)
Obligations under finance leases	**(7,573)**	(188,569)
Deferred income tax liabilities (Note 31)	**(26,442)**	(404,305)
Net assets	**1,303,061**	6,261,415
Non-controlling interests	**(348,790)**	(248,005)
Interest transferred from available-for-sale financial assets	**—**	(13,500)
Interest transferred from associated companies	**—**	(131,113)
Discount on acquisition of interests in subsidiaries (Note 7)	**(215,743)**	(28,363)
Goodwill (Note 17)	**558,123**	11,308,459
Total consideration	**1,296,651**	17,148,893

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

	2014	2013
	Fair value	Fair value
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**573,700**	4,369,875
Other payables	**722,951**	12,779,018
	1,296,651	17,148,893
Net cash outflow arising on acquisition:		
Cash consideration paid	**(573,700)**	(4,369,875)
Less: Cash and cash equivalents acquired	**180,912**	889,284
	(392,788)	(3,480,591)

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

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the year are approximately RMB2,494.54 million and RMB98.87 million respectively attributable to the additional business mainly generated by these newly acquired cement and concrete companies.

Had these business combinations been effected at 1 January 2014, the revenue of the Group would be approximately RMB122,274.73 million and profit for the year of the Group would be approximately RMB122,274.73 million. The directors of the Company consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

(i) Jetion Solar (China) Co., Ltd (「中建材浚鑫科技股份有限公司」)

On 1 January 2014, the Group acquired 55% of the equity interests of Jetion Solar (China) Co., Ltd (「中建材浚鑫科技股份有限公司」) for the consideration of RMB198 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of solar modules.

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

	2014 **Fair value** ***RMB'000***
Net assets acquired:	
Property, plant and equipment	**1,130,268**
Intangible assets	**1,098**
Investments in associates	**16,518**
Prepaid lease payments	**182,321**
Available-for-sale financial assets	**500**
Inventories	**163,251**
Trade and other receivables	**740,840**
Amounts due from the related parties	**13,684**
Pledged bank deposits	**405,825**
Cash and cash equivalents	**160,192**
Trade and other payables	**(1,295,099)**
Dividend payable to non-controlling shareholders	**(27,008)**
Amounts due to the related parties	**(32,400)**
Borrowings	**(769,189)**
Net assets	**690,801**
Non-controlling interests	**(320,785)**
Discount on acquisition	**(172,016)**
Total consideration	**198,000**

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

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

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

(i) Jetion Solar (China) Co., Ltd (「中建材浚鑫科技股份有限公司」) *(continued)*

	2014
	RMB'000
Total consideration satisfied by:	
Cash	**198,000**
	198,000
Net cash inflow arising on acquisition:	
Cash consideration paid	**(198,000)**
Less: Cash and cash equivalents acquired	**160,192**
	(37,808)

Included in the revenue and profit for the year are approximately RMB1,789 million and RMB70.70 million respectively attributable to the additional business generated by acquired subsidiary.

37 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

During the year ended December 31, 2014, the Group disposed of its equity interests in certain subsidiaries to third parties. The net assets of these disposed subsidiaries at the date of disposal were as follows:

	2014 RMB'000	2013 RMB'000
Net assets disposed of:		
Property, plant and equipment (Note 14)	**723,972**	—
Goodwill (Note 17)	**19,441**	—
Intangible assets (Note 18)	**35,303**	—
Prepaid lease payments (Note 15)	**130,471**	—
Inventories	**64,359**	—
Trade and other receivables	**109,281**	—
Cash and cash equivalents	**69,582**	—
Trade and other payables	**(177,957)**	—
Current income tax liabilities	**(2,139)**	—
Borrowings	**(674,402)**	—
Deferred income tax liabilities (Note 31)	**(1,295)**	—
Non-controlling interests	**(117,822)**	—
Net assets disposal of	**178,794**	—
Consideration received:		
Cash received	**13,694**	—
Investment in associates retained	**180,408**	—
Less: nets assets disposed of	**(178,794)**	—
Gain on disposal of subsidiaries, net (Note 7)	**15,308**	—
Outflow of cash arising from disposal of subsidiaries:		
Cash consideration	**13,694**	—
Cash and cash equivalents in subsidiaries disposed of	**(69,582)**	—
Net cash outflow from disposal of subsidiaries	**(55,888)**	—

38 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interests in subsidiaries without change in control

For the year ended 31 December 2014, the Group acquired additional issued shares of 11 subsidiaries for a purchase consideration of approximately RMB304.56 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB248.84 million. The Group recognised a decrease in non-controlling interests of approximately RMB248.84 million and a decrease in equity attributable to owners of the Group of approximately RMB55.72 million.

	31 December 2014 ***RMB'000***	31 December 2013 *RMB'000*
Carrying amount of non-controlling interests acquired	**248,839**	93,410
Consideration paid to non-controlling interests	**(304,561)**	(170,157)
Excess of consideration paid recognised within parent's equity	**(55,722)**	(76,747)

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

On 1 January 2014, North Cement Company Limited ("North Cement"), a subsidiary of the Company, acquired an additional 30% of the issued share of Jinzhou North Cement Company Limited (「錦州北方水泥有限公司」) ("Jinzhou") for a purchase consideration of approximately RMB21.81 million. The carrying amount of the non-controlling interests in Jinzhou on the date of acquisition was approximately RMB11.64 million. The Group recognised a decrease in non-controlling interests of approximately RMB11.64 million and decrease in equity attributable to owners of the Company of approximately RMB10.17 million.

On 1 January 2014, North Cement acquired additional 20% equity interest of 8 subsidiary companies, collectively referred as the Beijang Group (「北疆」) for a purchase consideration of approximately RMB211.06 million. The carrying amount of the non-controlling interests in the Beijiang group on the date of acquisition was approximately RMB130.23 million. The Group recognised a decrease in non-controlling interests of approximately RMB130.23 million and decrease in equity attributable to owners of the Company of approximately RMB80.83 million.

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

(b) Deemed partial disposal of interests in subsidiaries without losing control

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of equity interest obtained by non-controlling interests	**(1,551,482)**	(2,693,266)
Capital contributed by non-controlling interests	**1,837,527**	2,630,000
Gain/(loss) on disposal within equity	**286,045**	(63,266)

Details of the Group's significant deemed partial disposal of interests in subsidiaries without losing control during the year are as follows:

On 14 February 2014, non-controlling parties of China United Concrete Jining Company Limited (「濟寧中聯混凝土有限公司」) ("Jining Concrete") injected RMB21.43 million as registered capital and RMB4.67 million as share premium. After that, the Group's effective equity interest in Jining Concrete were diluted from 100% to 70%. As a result, the Group recognised a decrease in equity attributable to owners of the Company of approximately RMB8.25 million and increase in non-controlling interests of approximately RMB34.35 million.

On 30 September 2014, BNBM offered private placements on listed shares with sales restriction and raised of RMB2,120 million as registered share capital and RMB1,962 million as share premium. After that, the Group's effective equity interests in BNBM were diluted from 52.40% to 45.20%.

39 CONTINGENT LIABILITIES AND LITIGATION

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

	2014	2013
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities utilised by independent third parties	**—**	85,000

39 CONTINGENT LIABILITIES AND LITIGATION *(CONTINUED)*

During the reporting period, references are made to the Company's announcements dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015 in relation to the developments in the gypsum board litigation in the United States ("US"). The motions made by Taishan Gypsum, in respect of some of the gypsum board cases in the US to vacate the default judgment and the preliminary entry of the default order and to dismiss legal action on the ground that the US courts did not have personal jurisdiction had been dismissed. Taishan Gypsum did not agree that the US courts have jurisdiction and objected to the substantive disputes being heard by a court without jurisdiction, it has decided not to continue to participate in any gypsum board litigation brought against it in the US courts. As a result of Taishan Gypsum's failure to participate in a Judgment Debtor Examination held in the United States District Court of Eastern District of Louisiana (the "US District Court"), the US District Court held Taishan Gypsum in contempt of court imposing certain injunction on it and its affiliates (the "Contempt Order"). The Company has been informed by BNBM that Taishan Gypsum has subsequently engaged PRC and US lawyers to represent Taishan Gypsum to participate in the gypsum board litigation and defend in order to protect the interest of Taishan Gypsum. Taishan Gypsum has applied to the for the for the US District Court for the discharge of the Contempt Order. As Taishan Gypsym would only be allowed to participate in the litigation and defend its cases after the Contempt Order has been dismissed, Taishan Gypsum has paid the for the US District Court the penalty for contempt of court in the sum of USD40,000 and agreed to pay the plaintiff's attorney's fees in the sum of USD15,000. Furthermore, as the basis for the US District Court's Contempt Order was the non-participation by Taishan Gypsum in the Judgment Debtor Examination meeting following the default judgment in the Germano case, Taishan Gypsum has also agreed to pay USD2,758,356.52 under the default judgment in the Germano case together with interest accrued from May 2010. Taishan Gypsum has stated that its agreement to make the above payments is not to be taken as its acceptance of the content of the default judgment in the Germano case, and that the taking of such steps was simply to enable it to apply for the discharge of the Contempt Order and to participate in and defend the litigation of gypsum board cases after such discharge.

Separately, service of the summons in respect of the civil action initiated by Eduardo and Carmen Amorin individually and on behalf of all others similarly situated plaintiffs (the "Amorin Case") from the for the US District Court has been made on the Company through Beijing Supreme People's Court in China. The plaintiffs in the Amorin Case claimed damages of more than USD1,500 million against the defendants which included, among others, the Company, BNBM and Taishan Gypsum. In the light of the developments in the litigation, each of the Company and BNBM has engaged PRC and US lawyers respectively, who would represent the Company and BNBM respectively to participate in the gypsum board litigation and defend in order to protect the respective interest of the Company and BNBM. It is difficult to ascertain accurately the potential impact of the US gypsum board litigation on the Company. For details on this litigation, please refer to the announcements of the Company dated 18 July 2014, 20 August 2014, 13 February 2015 and 13 March 2015.

40 COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**166,879**	667,331
Acquisition of prepaid lease payments	**12,433**	49,417
Acquisition of subsidiaries	**—**	165,186
	179,312	881,934

41 OPERATING LEASE COMMITMENTS

Lessee

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

	2014	2013
	RMB'000	*RMB'000*
Within one year	**46,083**	65,114
In the second to fifth year inclusive	**103,077**	152,251
Over five years	**80,711**	99,240
	229,871	316,605

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2013: fourteen years) and rentals are fixed for an average term of fourteen years (2013: fourteen years).

41 OPERATING LEASE COMMITMENTS *(CONTINUED)*

Lessor

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

	2014	2013
	RMB'000	*RMB'000*
Within one year	**116,021**	108,097
In the second to fifth year inclusive	**305,623**	410,492
Over five years	**39,695**	245,214
	461,339	763,803

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2013: one year to twenty years).

42 RELATED PARTY TRANSACTIONS

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

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

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

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with related parties

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

	2014	2013
	RMB'000	*RMB'000*
Provision of production supplies to		
— the Parent Group	**4,087**	404,964
— Associates	**623,242**	635,320
— Non-controlling interests of subsidiaries	**116**	219,594
	627,445	1,259,878
Provision of support services to		
— the Parent Group	**1,285**	131,824
— Associates	**—**	129,724
— Non-controlling interests of subsidiaries	**14**	3,670
	1,299	265,218
Rental income received from		
— the Parent Group	**2,576**	1,889
— Associates	**4,870**	20,311
	7,446	22,200
Rendering of engineering service to the Parent Group	**429,228**	458,494
Interest income received from		
— the Parent Group	**11,699**	22,681
— Associates	**2,892**	23,760
	14,591	46,441

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2014	2013
	RMB'000	*RMB'000*
Provision of production supplies by		
— the Parent Group	**197,449**	217,023
— Associates	**430,015**	128,099
— Non-controlling interests of subsidiaries	**3,526**	1,632
	630,990	346,754
Provision of support services by		
— the Parent Group	**3,252**	3,240
— Non-controlling interests of subsidiaries	**—**	600
	3,252	3,840
Supplying of equipment by the Parent Group	**43,820**	103,890
Rental expense paid to the Parent Group	**221**	1,572
Interest expense paid to		
— the Parent Group	**317**	—
— Non-controlling interests of subsidiaries	**5,204**	1,251
	5,521	1,251
Rendering of engineering services		
— the Parent Group	**12,122**	15,234
— Non-controlling interests of subsidiaries	**600**	—
	12,722	15,234

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	2014	2013
	RMB'000	*RMB'000*
Supply of raw materials (limestone and clay) by the Parent Group	**30,516**	19,605
Supply of raw materials by		
— the Parent Group	**15,857**	1,262
— Associates	**46,005**	178,719
— Non-controlling interests of subsidiaries	**—**	12,321
	61,862	192,302

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

During the year ended 31 December 2014, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2014 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

42 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Remuneration to key management

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

	2014	2013
	RMB'000	*RMB'000*
Short-term benefits	**4,893**	5,725
Share-based payments	**—**	—
Post-employment benefits	**197**	204
	5,090	5,929

43 EMPLOYEE BENEFITS PLAN

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

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

44 INFORMATION ABOUT THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

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

	2014	2013
	RMB'000	*RMB'000*
Investments in subsidiaries	**26,268,948**	25,976,888
Other non-current assets	**3,997,015**	2,938,669
Amount due from subsidiaries	**33,831,046**	29,681,804
Other current assets	**534,972**	478,641
Non-current liabilities	**(9,161,932)**	(15,084,186)
Current liabilities	**(35,440,588)**	(29,507,473)
Net assets	**20,029,461**	14,484,343
Share capital (Note 34)	**5,399,026**	5,399,026
Reserves	**9,630,310**	9,085,317
Perpetual capital instruments	**5,000,125**	—
Total equity	**20,029,461**	14,484,343

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

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

	Share premium	Capital reserve	Fair value reserve (Note 35(b))	Statutory surplus reserve fund (Note 35(a))	Retained earnings	Total	Perpetual capital instruments (Note 36)	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	4,824,481	501,310	—	587,786	2,222,983	8,136,560	—	8,136,560
Net profit for the year	—	—	—	—	1,539,573	1,539,573	—	1,539,573
Other comprehensive income for the year	—	—	246,033	—	—	246,033	—	246,033
Dividends (Note 12)	—	—	—	—	(836,849)	(836,849)	—	(836,849)
Appropriation to statutory reserve	—	—	—	164,224	(164,224)	—	—	—
Balance at 31 December 2013 and 1 January 2014	4,824,481	501,310	246,033	752,010	2,761,483	9,085,317	—	9,085,317
Net profit for the year	—	—	—	—	1,548,049	1,548,049	45,125	1,593,174
Other comprehensive income for the year	—	—	(139,212)	—	—	(139,212)	—	(139,212)
Issue of perpetual capital instruments (Note 36)	—	—	—	—	—	—	4,955,000	4,955,000
Dividends (Note 12)	—	—	—	—	(863,844)	(863,844)	—	(863,844)
Appropriation to statutory reserve	—	—	—	171,855	(171,855)	—	—	—
Balance at 31 December 2014	4,824,481	501,310	106,821	923,865	3,273,833	9,630,310	5,000,125	14,630,435

(c) Net profit attributable to shareholders

Net profit attributable to shareholders includes a profit of RMB1,548.05 million (2013: approximately RMB1,539.57 million) which has been dealt with in the financial statements of the Company.

45 EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**122,011,222**	117,687,840	87,217,629	80,058,470	51,987,763
Cost of sales	**(88,732,228)**	(87,549,843)	(67,089,167)	(58,741,878)	(40,778,919)
Gross profit	**33,278,994**	30,137,997	20,128,462	21,316,592	11,208,844
Investment and other income	**4,954,948**	4,204,133	5,200,305	2,993,345	2,158,284
Selling and distribution costs	**(7,760,390)**	(6,928,479)	(3,880,879)	(2,212,707)	(1,810,719)
Administrative expenses	**(9,049,329)**	(8,134,660)	(5,475,516)	(4,609,812)	(3,071,615)
Finance costs - net	**(10,856,638)**	(9,306,502)	(6,507,145)	(3,859,060)	(2,578,960)
Share of profits of associates	**985,426**	630,536	458,642	686,149	198,183
Profit before income tax	**11,553,011**	10,603,025	9,923,869	14,314,507	6,104,017
Income tax expense	**(2,881,364)**	(2,291,155)	(2,186,883)	(3,568,768)	(1,360,977)
Profit for the year	**8,671,647**	8,311,870	7,736,986	10,745,739	4,743,040
Profit attributable to:					
Owners of the Company	**5,919,541**	5,761,854	5,579,601	8,015,074	3,369,433
Holders of perpetual capital instruments	**45,125**	—	—	—	—
Non-controlling interests	**2,706,981**	2,550,016	2,157,385	2,730,665	1,373,607
	8,671,647	8,311,870	7,736,986	10,745,739	4,743,040
Final dividend proposed	**890,839**	863,844	836,849	1,160,791	502,109
Extracts from the consolidated statement of financial position					
Total assets	**316,481,826**	291,631,175	246,433,547	158,395,218	111,516,350
Total liabilities	**(249,504,595)**	(238,055,276)	(202,368,700)	(120,784,056)	(83,617,964)
Perpetual capital instruments	**(5,000,125)**	—	—	—	—
Non-controlling interests	**(21,404,205)**	(18,197,476)	(13,568,749)	(11,279,394)	(8,735,906)
Equity attributable to owners of the Company	**40,572,901**	35,378,423	30,496,098	26,331,768	19,162,480