China National Materials Company Limited

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

(Stock Code: 01893)

Materials

Bring a Prosperous Life

Annual Report 2014

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CORPORATE INFORMATION

As at 31 December 2014

DIRECTORS

Executive Directors

LIU Zhijiang *(Chairman)*

PENG Jianxin[1] *(President)*

Non-executive Directors

YU Shiliang

LI Xinhua[1] *(Vice-chairman)*

LI Jianlun

YU Guobo

TANG Baoqi

Independent Non-executive Directors

LEUNG Chong Shun

LU Zhengfei

WANG Shimin

ZHOU Zude

Supervisors

XU Weibing *(Chairman)*

ZHANG Renjie

WANG Jianguo

WANG Yingcai

QU Xiaoli

STRATEGY COMMITTEE

LIU Zhijiang *(Chairman)*

YU Shiliang

LI Xinhua

PENG Jianxin[1]

LI Jianlun

YU Guobo

ZHOU Zude

AUDIT COMMITTEE

LU Zhengfei *(Chairman)*

WANG Shimin

YU Shiliang

REMUNERATION COMMITTEE

WANG Shimin *(Chairman)*

LEUNG Chong Shun

LU Zhengfei

NOMINATION COMMITTEE

LIU Zhijiang *(Chairman)*

WANG Shimin

ZHOU Zude

[1] On 26 August 2014, Mr. ZHANG Hai resigned from his position as a non-executive Director of the Company, and accordingly ceased to be a member of the Strategy Committee, with effect from 21 October 2014 on which the shareholders of the Company approved the appointment of a new Director as his replacement at the extraordinary general meeting; On 21 October 2014, Mr. PENG Jianxin was appointed as a non-executive Director of the Company at the extraordinary general meeting. On the same day, Mr. LI Xinhua was re-designated from an executive Director to a non-executive Director of the Company and resigned from his position as president of the Company; Mr. PENG Jianxin was re-designated from a non-executive Director to an executive Director of the Company and was appointed as president of the Company and a member of the Strategy Committee. For details, please refer to the announcements of the Company dated 26 August 2014 and 21 October 2014.

As at 31 December 2014

SECRETARY TO THE BOARD
GU Chao

JOINT COMPANY SECRETARIES
GU Chao
YU Leung Fai *(HKICPA, AICPA)*

AUTHORISED REPRESENTATIVES
LIU Zhijiang
YU Leung Fai *(HKICPA, AICPA)*

REGISTERED OFFICE AND PLACE OF BUSINESS
11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035, the PRC

PLACE OF BUSINESS IN HONG KONG
7th Floor, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

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

AUDITORS
Hong Kong auditor
SHINEWING (HK) CPA Limited

PRC auditor
ShineWing Certified Public Accountants LLP

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE
01893

COMPANY WEBSITE
http://www.sinoma-ltd.cn

INVESTOR CONTACT
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CORPORATE PROFILE

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

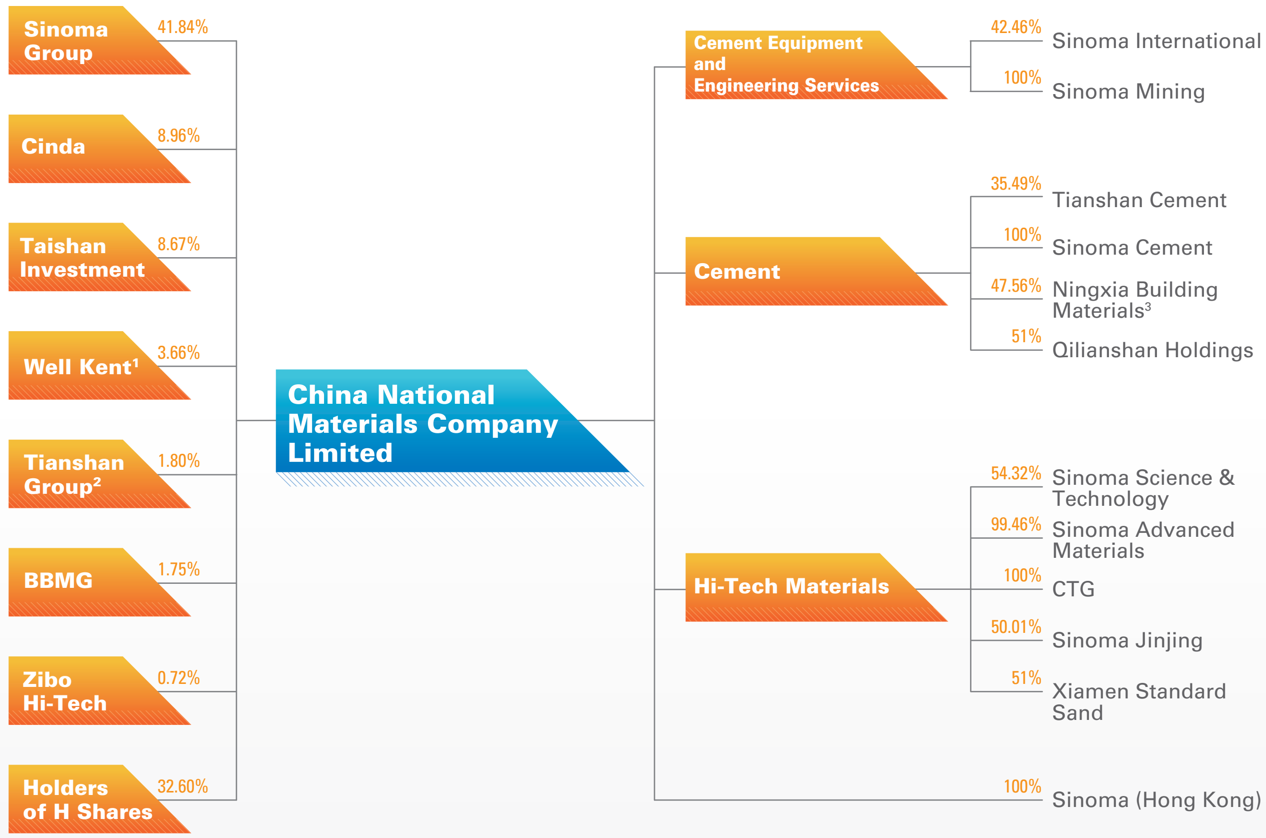
The Company is mainly engaged in cement equipment and engineering services, cement and high-tech materials businesses. The Company possesses series of core technologies such as glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, with pioneering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

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

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

CORPORATE STRUCTURE

As at 31 December 2014



Notes:

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

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

3. The equity interest in Ningxia Building Materials held by the Company increased from 47.54% to 47.56% as a result of the completion of the repurchase and cancellation procedure of the 137,792 compensation shares held by the Company in Ningxia Building Materials on 25 August 2014.

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

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Audited)	*(Restated)*[3]	*(Restated)*[2]	*(Restated)*[1]
Turnover	**55,284.82**	52,081.32	46,187.07	50,718.59	44,497.16
Profit for the year	**1,315.63**	1,465.41	1,545.84	3,964.50	3,409.72
Profit for the year attributable to owners of the Company	**507.16**	397.51	452.29	1,462.57	1,099.98
Earnings per Share – Basic (RMB)	**0.14**	0.11	0.13	0.41	0.31

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
		(Audited)	*(Restated)*[3]	*(Restated)*[2]	*(Restated)*[1]
Total assets	**99,904.60**	94,512.03	88,004.71	79,746.88	67,204.60
Total liabilities	**68,884.41**	66,343.88	60,707.49	55,963.82	46,551.92
Equity attributable to owners of the Company	**13,819.80**	11,405.24	11,477.77	10,978.01	9,788.04
Equity per Share (RMB)	**3.87**	3.19	3.21	3.07	2.74

Notes:

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

2. The figures for 2011 have been restated due to the completion of acquisitions of Nanjing Cement Industry Design & Research Institute Co., Ltd., Sinoma Asset Management (Suzhou) Company Limited, and Tangshan Sinoma Property Management Company Limited during 2012, which were under common control.

3. The figures for 2012 have been restated due to the completion of acquisitions of Handan Sinoma Asset Management Co., Ltd., Chengdu Cement Industry Design & Research Institute Co., Ltd., Tianjin Sinoma Asset Management Company Limited, China Building Materials Industry Construction Tianjin Engineering Co., Ltd., Suzhou Design and Research Institute of Non-metallic Minerals Industry Co., Ltd. and Nanjing Fiberglass Research & Design Institute Co., Ltd. (all were under common control), the change from proportion consolidation to equity method of accounting of jointly controlled entities and the adjustment of defined benefit obligations during 2013.

BUSINESS SUMMARY

Cement Equipment And Engineering Services

	2014	2013	Change (%)
Amount of new order intakes (RMB million)	**29,486**	34,212	-13.81
Amount of backlog (RMB million) - as at 31 December	**58,280**	56,742	2.71

Cement

	2014	2013	Change (%)
Sales volume of cement ('000 tonnes)	**75,645**	74,700	1.27
Sales volume of clinker ('000 tonnes)	**8,750**	10,030	–12.76

High-tech Materials

	2014	2013	Change (%)
Sales volume of glass fiber and products ('000 tonnes)	**498**	448	11.16
Sales volume of fan blades for wind power generators (set)	**2,696**	1,816	48.46
Sales volume of solar-energy fused silica crucibles (unit)	**61,982**	37,300	66.17
Sales volume of natural gas cylinders (unit)	**246,340**	254,471	–3.20

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I present to you the annual report and results of the Company for 2014, and report to you on the development focus of the Company for 2015.

Year 2014 witnessed a mixed international political and economic landscape amidst fiercer competition. In China, the escalating economic downward pressure led to a slower growth of fixed asset investments, insufficient industry demand and growing pressure of the heightened overcapacity. Addressing the complicated external environment, the Company focused on "two optimizations, two reinforcements and three transformations" to ensure the performance growth, structural adjustments and risk prevention. Sound growth in business results was achieved based on overall improvements in management, the transformation of growth model and continuous enhancement of development quality. During the Reporting Period, turnover of the Group was RMB55,284.82 million, representing a year-on-year increase of 6.15%. Profit for the year was RMB1,315.63 million, representing a year-on-year decrease of 10.22%. Profit for the year attributable to owners of the Company was RMB507.16 million, representing a year-on-year increase of 27.58%. Earnings per share of the Company amounted to RMB0.14.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

During the Reporting Period, affected by the macroeconomic condition, investments slowed down in the cement industry in the domestic and overseas markets, coupled with intensified market competition. Capitalizing on our brand strength, the segment continued to consolidate its leadership in the Middle East, Southeast Asia and other regional markets while strengthening its market development in Central and Eastern Europe and South America. The cement engineering EPC business ranked first globally for seven consecutive years in terms of international market share. In 2014, the amount of new order intakes decreased by 14% year-on-year to RMB29.5 billion, of which the amount of new order intakes from the overseas markets amounted to RMB21.8 billion, representing a year-on-year decrease of 6.48%. As at 31 December 2014, the amount of backlog amounted to RMB58.3 billion.

Apart from its market development efforts against the adverse domestic and international environment, the segment introduced innovative business models to penetrate into new business fields. Based on the increasing technological investment and self-innovation, a range of new technologies and equipment were developed and widely used in cement producers. The "Innovative system integration technology for co-disposal of urban garbage with cement kiln and engineering application (利用水泥窯爐協同處置城市垃圾系統集成創新技術與工程應用)", with proprietary intellectual property right, passed the technological achievement verification and reached the international advanced level, providing a platform to widely promote the harmless disposal of urban garbage with cement kiln. Our subsidiary Sinoma International was granted the "Honor Award of the 3rd China Industrial Award (第三屆中國工業大獎表彰獎)", a recognition representing the highest industrial level in the PRC.

CEMENT

During the Reporting Period, in face of the unfavorable domestic situation of overcapacity and insufficient demand, the segment implemented a prudent development strategy, taking initiatives to speed up technology improvement, eliminate backward production capacity, reinforce benchmarking management and expand the scope of centralized bidding and procurement. As a result of the improved cost effectiveness, the costs per tonne of cement decreased by RMB9. During the Reporting Period, the segment sold 75.65 million tonnes of cement, representing a year-on-year increase of 1.27% together with a year-on-year increase of 4.66% in the segment results.

While consolidating its influence and dominance in regional markets, the segment proactively identified investment opportunities in overseas cement projects, and carried out preliminary preparation smoothly during the Reporting Period.

HIGH-TECH MATERIALS

During the Reporting Period, the segment continued to adjust product mix and optimize market layout. The glass fiber and products business expedited technology improvement and product mix adjustment; the first 80,000-tonne production line operated smoothly; and the second 80,000-tonne production line was completed and commenced operation. The higher product quality and lower production cost helped to enhance market competitiveness and profitability. The fan blade business maintained a sound momentum, ranking ahead in the industry for four consecutive years in terms of domestic market share. The proprietary Sinoma77.7m-6MW large offshore wind power fan blade was successfully rolled out to further sharpen our market competitiveness.

PROSPECTS

Looking into 2015, the Company will still face with a complicated and challenging business environment. The world economy will remain sluggish in recovery, mixed with divergences across the developed world and an overall slowdown in emerging economies. As China has steered its economy into a new normal characterized by a downshift from high growth to medium-high growth, the long-term positive outlook will be overlapped by contradictions and challenges through its economic transformation, which implies higher downsides ahead. Based on its insight into current situation and scientific analysis of future trend with an aim at outperforming and strengthening principal operations, the Company will step up innovations and optimize its industrial structure under an active internationalization strategy, in order to ensure sustainable and healthy growth in business results.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

The segment will aggressively explore overseas market, consolidating its marketing in Central and Eastern Europe, India and South America on the basis of the secured footing in traditional markets such as Africa, the Middle East and Southeast Asia. Drawing upon its technological strengths, the segment will proactively explore the market of energy conservation and environmental protection and technology improvement for domestic cement enterprises. On the basis of securing the competitiveness of principal operations, we will take initiatives to diversify related operations. We will also leverage upon strengths of the acquired overseas subsidiaries to upgrade equipment manufacturing expertise and expand the scope of services. Furthermore, we expect to expand our market share in mining services by lowering costs and extending the industrial chain.

CEMENT

While consolidating its influence and dominance in regional markets, the segment will accelerate technology improvement and upgrade, eliminate backward production capacity, and promote the energy conservation and emission reduction campaign. It will continue to expand the scope of centralized procurement and improve benchmarking management in a bid to reduce production cost and constantly improve profitability. Leveraging on the incentives of the State on "overseas expansion", the segment will bring into full play of our advantages in equipment and engineering services and cement to steadily expand its investment in overseas cement operations.

HIGH-TECH MATERIALS

In a market-oriented approach, the segment will optimize product mix to stay competitive with high-quality and diversified production. It will combine elements such as technology, management and capital resources to press ahead with innovation-driven technology upgrade, maximize the supporting role of technological innovations and advance the industrialization of technological achievements. Moreover, the segment will vigorously explore on overseas expansion of its glass fiber and fan blade businesses.

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

LIU Zhijiang
Chairman of the Board

27 March 2015

BUSINESS REVIEW

Overview

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

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

The global economy witnessed a mix of overhangs during the Reporting Period. The sluggish momentum of the developed world and a slower potential growth in emerging economies, among other instabilities such as the political turbulence in Iraq and the Ebola epidemic plaguing in some African regions, added uncertainties to the cement construction market.

According to China Cement Association, 54 cement production lines were newly completed in 2014 in the PRC, which expanded the clinker production capacity by 70.3 million tonnes per annum, a decrease of 24 million tonnes year-on-year. Due to the slowdown in economic growth and excessive production capacity, the fixed asset investments in the domestic cement industry witnessed an accelerated decline in 2014, decreasing by 19.44% year-on-year to RMB108.1 billion. The number of new production lines in domestic cement industry has been dropping rapidly for four years in a row. The potential cement construction market diminished, which led to more intense competition and narrowed gross margin of projects.

Business Review

Strengthening marketing efforts and enhancing contract performance capability

Addressing the grim external market during the Reporting Period, the segment took initiatives to refine its business strategy and tap on innovative service models, and continued to consolidate its leadership in the Middle East, Southeast Asia and other regional markets while strengthening its marketing efforts in Central and Eastern Europe and South America. Despite the domestic overcapacity and intensifying international competition, the new order intakes for the year amounted to RMB29.5 billion with a further increase in the weight of overseas contracts, ranking first globally for seven consecutive years in terms of international market share. Along with its increasing marketing efforts, the segment further enhanced environmental risk control as well as resource allocation and control for EPC projects, leading to further improved contract performance capability. During the Reporting Period, PAC or FAC certificates were granted to our 15 EPC projects.

As at 31 December 2014, the amount of backlog of the segment amounted to RMB58.3 billion.

Steadily progressing new businesses and optimizing the industrial structure

The segment continued its diversified strategy for related industries to speed up new business development. During the Reporting Period, progresses were made in overseas merger and acquisition, customer services and environmental engineering. As at the date of this annual report, the acquisition made by the Company in equity interest in Hazemag, a company in Germany, has been completed. The acquisition of Hazemag will allow the segment to enter into mining and metallurgical equipment manufacturing sectors and extend its international presence. The customer services business recorded new contract value of over RMB2.2 billion in the year, an increase of 120% year-on-year. To promote the technologies on disposal of urban garbage and solid waste with cement kiln, the Company established a joint venture with Gezhouba Cement Group for utilizing its cement kilns to develop the business of solid waste disposal, and the negotiation with other cement producers is in progress.

The segment stepped up its paces in extending its international footprints, giving full play to its reputation in the projects under construction or completed to diversify its operations in local markets. Meanwhile, the segment aggressively developed engineering markets in mining, building materials, civil construction, oil and gas pipelines and liquefied petroleum gas storage fields. The strategic cooperation framework agreement with IDE, an Israeli company, laid a foundation for our global partnership on sea water desalination in the future.

Promoting technological innovation to enhance core competitiveness

During the Reporting Period, focusing on its self-innovation and adopting a technology-oriented approach, the segment developed a range of new technologies and equipment which were widely used in cement producers, making positive contribution to the cement industry.

The "Innovative system integration technology for co-disposal of urban garbage with cement kiln and engineering application (利用水泥窯爐協同處置城市生活垃圾系統集成創新技術與工程應用)", which is in line with the international advanced level, passed the technological achievement verification, providing a platform to widely promote the harmless disposal of urban garbage with cement kiln. Sinoma International was granted the "Honor Award of the 3rd China Industrial Award (第三屆中國工業大獎表彰獎)". The 4,000t/d clinker project of Devnya Cement Plant won the Best Contraction Award and the Best Investment Award for 2014 in Bulgaria. The Tanzania TCCL 2,500t/d clinker project was honored the "2014 Golden Valve Award" by Intergraph.

CEMENT

Industry Review

The economic downsides were reflected in the decelerated growth of fixed asset investments that is closely related to cement demand. Compared to 2013, the growth in cement demand fell sharply by 7.5 percentage points, which amplified the pressure from overcapacity. China produced 2.47 billion tonnes of cement in 2014, representing a year-on-year increase of 1.8%, a lowest record over the past 24 years.

Business Review

Accelerating industrial upgrade to stabilize business development

To accelerate industrial upgrade, the segment launched technology improvement for a number of cement clinker production lines and eliminated backward production capacity of 690,000 tonnes during the Reporting Period. Meanwhile, the segment capitalized on our brand strength and regional dominance to proactively explore new market, achieving stable growth in cement sales volume. During the Reporting Period, the Company sold 75.65 million tonnes of cement, representing a year-on-year increase of 1.27%.

Optimizing and strengthening internal control to reduce production cost effectively

Relying upon its regional dominance and resources reserve, the segment optimized its internal resources and strengthened the centralized procurement and benchmarking to improve management and reduce production cost effectively. During the Reporting Period, the segment decreased the unit cement cost by RMB9 year-on-year, and hence further improved its regional competitiveness.

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

The segment remained committed to energy conservation and emission reduction of cement production lines, to earnestly fulfill corporate social responsibility through improving energy efficiency, lowering energy consumption and reducing emissions of nitrogen oxides and other pollutants in cement production. During the Reporting Period, our total installed capacity of waste heat power generation of cement kilns reached 420.5MW, with pollutant emission levels trending down year-on-year.

HIGH-TECH MATERIALS

Industry Review

Despite a profound post-crisis correction cycle worldwide, the global wind power market showed signs of recovery during the Reporting Period. The government implemented a number of favorable policies on photovoltaic and wind power industries and accelerated upgrades and construction of the supporting power grid, leading to the increasing grid integration rate of wind power. With a resilient growth in large fan blades, China's wind power complete set generator shipment reached 23.35GW in 2014, surging by 45.1% year-on-year. Glass fiber export posted a positive growth. The glass fiber industry performed steadily with an upward trend, driven by the improvements in domestic wind power, automobile and high-end home appliance markets, especially the buoyant alkali-free glass roving market in slack season. As for CNG cylinder industry, the international crude oil price slumps triggered the plunging demand in the international market and intensified market competition at home and abroad.

Business Review

Seizing market opportunities to boost major product sales

During the Reporting Period, seizing the opportunities from market recovery, the segment took proactive initiatives to secure orders and boost product sales. Sales volume of fan blades, glass fiber and solar-energy fused silica crucibles recorded a growth of 48.46%, 11.16% and 66.17% respectively year-on-year. Production cost was further reduced and gross margin continued to improve.

Pressing ahead with technological innovation to accelerate new product development

During the Reporting Period, the segment combined technical, management and capital resources on the market-oriented basis to press ahead with innovation-driven new product development. Sinoma Science & Technology successfully developed the domestically longest SINOMA77.7-6MW offshore wind power fan blades, making a domestic breakthrough in manufacturing technology for large wind power fan blades. Sinoma 51.9-1.8MW, an ultra-low wind speed super-slender fan blade product, won the Outstanding Innovative Product Award at the 20th China Composite Materials Exhibition – JEC. Our two projects namely wind power fan blade (45.2m-1.5MW) and composite rocker cover for automotive engine were included into the 2014 National Key New Products Program. The development and application of these new products allowed the segment to improve its competitiveness.

Enhancing technology improvement to optimize product mix

While increasing sales of glass fiber and products, the segment sped up its paces in technology improvement to the existing production lines, product mix adjustment and elimination of small kilns. During the Reporting Period, an alkali-resistant glass fiber production line with a production capacity of 15,000 tpa, a special glass fiber trial kiln production line with a production capacity of 5,000 tpa and a glass fiber production line with a production capacity of 80,000 tpa commenced operation, further sharpening the segment market competitiveness. The two 80,000-tonne glass fiber production lines employed energy-efficient and environment-friendly, oxygen-fuel combustion, automated logistics and other international cutting-edge technologies, reaching the domestically leading level and greatly reducing production cost. During the Reporting Period, the glass fiber and products segment increased its gross margin by 6.8 percentage points year-on-year.

FINANCIAL REVIEW

	Year ended 31 December 2014 *RMB million*	Year ended 31 December 2013 *RMB million*	Change *RMB million*	*%*
Turnover	**55,284.82**	52,081.32	3,203.50	6.15
Cost of sales	**(45,230.94)**	(42,069.19)	(3,161.75)	7.52
Gross profit	**10,053.88**	10,012.13	41.75	0.42
Other gains	**1,377.41**	1,391.84	(14.43)	(1.04)
Selling and marketing expenses	**(1,847.43)**	(1,822.56)	(24.87)	1.36
Administrative expenses	**(5,360.13)**	(5,450.37)	90.24	(1.66)
Exchange loss	**(42.88)**	(85.26)	42.38	(49.71)
Other expenses	**(93.46)**	(53.32)	(40.14)	75.28
Operating profit	**4,087.39**	3,992.46	94.93	2.38
Interest income	**121.67**	139.25	(17.58)	(12.62)
Finance costs	**(2,165.07)**	(1,961.95)	(203.12)	10.35
Share of results of associates	**74.39**	66.35	8.04	12.12
Share of results of joint ventures	**(84.70)**	(27.27)	(57.43)	210.60
Profit before tax	**2,033.68**	2,208.84	(175.16)	(7.93)
Income tax expense	**(718.05)**	(743.43)	25.38	(3.41)
Profit for the year	**1,315.63**	1,465.41	(149.78)	(10.22)
Profit for the year attributable to:				
Owners of the Company	**507.16**	397.51	109.65	27.58
Non-controlling interests	**808.47**	1,067.90	(259.43)	(24.29)
Dividends	**107.14**	71.43		

RESULTS PERFORMANCE

During the Reporting Period, profit before tax of the Group was RMB2,033.68 million, representing a year-on-year decrease of 7.93%. Profit for the year attributable to owners of the Company was RMB507.16 million, representing a year-on-year increase of 27.58%. Earnings per share of the Company was RMB0.14.

Consolidated Operating Results

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

Turnover

Turnover of the Group in 2014 was RMB55,284.82 million, representing an increase of 6.15% as compared with RMB52,081.32 million in 2013. The increase was mainly due to the increase in the business volume of the cement equipment and engineering services segment and the increase in sales volume of certain products in the high-tech materials segment. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB2,437.28 million, decreased by RMB1,133.33 million and increased by RMB1,767.42 million, respectively.

Cost of Sales

Cost of sales of the Group in 2014 was RMB45,230.94 million, representing an increase of 7.52% as compared with RMB42,069.19 million in 2013. The increase was mainly due to the increase in the business volume of the cement equipment and engineering services segment and the increase in sales volume of certain products in the high-tech materials segment. In particular, cost of sales of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB2,816.93 million, decreased by RMB1,081.71 million and increased by RMB1,314.66 million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2014 was RMB10,053.88 million, representing an increase of 0.42% as compared with RMB10,012.13 million in 2013. In particular, gross profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB379.65 million, decreased by RMB51.62 million and increased by RMB452.76 million, respectively.

Gross margin of the Group in 2014 was 18.19%, representing a decrease of 1.03 percentage points as compared with 19.22% in 2013.

Other Gains

Other gains of the Group in 2014 were RMB1,377.41 million, representing a decrease of 1.04% as compared with RMB1,391.84 million in 2013.

Selling and Marketing Expenses

Selling and marketing expenses of the Group in 2014 were RMB1,847.43 million, representing an increase of 1.36% as compared with RMB1,822.56 million in 2013. The increase was mainly due to the increase in transportation costs as a result of increase in sales volume of certain products. In particular, selling and marketing expenses of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB16.12 million, decreased by RMB72.77 million and increased by RMB81.50 million, respectively.

Administrative Expenses

Administrative expenses of the Group in 2014 were RMB5,360.13 million, representing a decrease of 1.66% as compared with RMB5,450.37 million in 2013. The decrease was mainly due to the decrease in impairment loss recognised in respect of assets. In particular, administrative expenses of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB394.52 million, increased by RMB24.70 million and increased by RMB195.38 million, respectively.

Exchange Loss

Exchange loss of the Group in 2014 was RMB42.88 million, representing a decrease of 49.71% as compared with RMB85.26 million in 2013. The decrease was mainly attributable to the decrease in exchange loss from the overseas projects of the cement equipment and engineering services segment due to changes in exchange rate.

Other Expenses

Other expenses of the Group in 2014 were RMB93.46 million, representing an increase of 75.28% as compared with RMB53.32 million in 2013. The increase was mainly due to the relocation expenditure incurred by its subsidiaries.

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2014 was RMB4,087.39 million, representing an increase of 2.38% as compared with RMB3,992.46 million in 2013. In particular, operating profit of the cement equipment and engineering services segment, cement segment and high-tech materials segment decreased by RMB35.17 million, increased by RMB143.47 million and decreased by RMB30.44 million, respectively.

Operating profit margin in 2014 was 7.39%, representing a decrease of 0.28 percentage point as compared with 7.67% in 2013.

Interest Income

Interest income of the Group in 2014 was RMB121.67 million, representing a decrease of 12.62% as compared with RMB139.25 million in 2013.

Finance Costs

Finance costs of the Group in 2014 were RMB2,165.07 million, representing an increase of 10.35% as compared with RMB1,961.95 million in 2013. The increase was mainly due to the expansion of the scale of financing and the increase in interest rates.

Share of Results of Associates

Share of results of associates of the Group in 2014 was RMB74.39 million, representing an increase of 12.12% as compared with RMB66.35 million in 2013. The increase was mainly due to the disposal of some loss-making associates in last year.

Share of Results of Joint Ventures

Share of results of joint ventures of the Group in 2014 was a loss of RMB84.70 million, representing an increase of 210.60% as compared with a loss of RMB27.27 million in 2013. The increase was mainly due to the increase of losses made by the joint venture PPG Sinoma Jinjing Fiberglass Co., Ltd..

Income Tax Expense

Income tax expense of the Group in 2014 was RMB718.05 million, representing a decrease of 3.41% as compared with RMB743.43 million in 2013, mainly due to the decrease in the results of the cement equipment and engineering services segment.

Profit for the Year Attributable to Non-controlling Interests

Profit for the year attributable to non-controlling interests of the Group in 2014 was RMB808.47 million, representing a decrease of 24.29% as compared with RMB1,067.90 million in 2013.

Profit for the Year Attributable to Owners of the Company

Profit for the year attributable to owners of the Company in 2014 was RMB507.16 million, representing an increase of 27.58% as compared with RMB397.51 million in 2013, mainly due to the substantial increase in profit made by certain wholly-owned subsidiaries.

Segment Results

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

Cement Equipment and Engineering Services

	2014	2013	Change
	RMB million	*RMB million*	*%*
Turnover	**25,105.64**	22,668.36	10.75
Cost of sales	**22,428.87**	19,611.94	14.36
Gross profit	**2,676.77**	3,056.42	(12.42)
Selling and marketing expenses	**206.93**	190.81	8.45
Administrative expenses	**1,986.13**	2,380.65	(16.57)
Segment results	**505.92**	541.09	(6.50)

Turnover

Turnover of the cement equipment and engineering services segment in 2014 was RMB25,105.64 million, representing an increase of 10.75% as compared with RMB22,668.36 million in 2013. The increase was mainly due to the increase in the completion of contract constructions.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2014 was RMB22,428.87 million, representing an increase of 14.36% as compared with RMB19,611.94 million in 2013, mainly due to the increase in the completion of contract constructions.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2014 was RMB2,676.77 million, representing a decrease of 12.42% as compared with RMB3,056.42 million in 2013. Gross margin of the cement equipment and engineering services segment decreased by 2.82 percentage points from 13.48% in 2013 to 10.66% in 2014. The decrease was mainly attributable to the decrease in contract price due to intensified market competition and rising costs.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2014 were RMB206.93 million, representing an increase of 8.45% as compared with RMB190.81 million in 2013, mainly due to the expansion of business scale.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment in 2014 were RMB1,986.13 million, representing a decrease of 16.57% as compared with RMB2,380.65 million in 2013. The decrease was mainly due to the decrease in impairment loss recognised in respect of assets.

Segment Results

Based on the above, results of the cement equipment and engineering services segment in 2014 were RMB505.92 million, representing a decrease of 6.50% as compared with RMB541.09 million in 2013.

Cement

	2014	2013	Change
	RMB million	*RMB million*	*%*
Turnover	**23,318.55**	24,451.88	(4.63)
Cost of sales	**17,681.93**	18,763.64	(5.76)
Gross profit	**5,636.62**	5,688.24	(0.91)
Selling and marketing expenses	**1,211.43**	1,284.20	(5.67)
Administrative expenses	**2,166.80**	2,142.10	1.15
Segment results	**3,223.15**	3,079.68	4.66

Turnover

Turnover of the cement segment in 2014 was RMB23,318.55 million, representing a decrease of 4.63% as compared with RMB24,451.88 million in 2013. The decrease was mainly due to the decrease in selling prices and the decrease in sales volume of clinker and commercial concrete.

Cost of Sales

Cost of sales of the cement segment in 2014 was RMB17,681.93 million, representing a decrease of 5.76% as compared with RMB18,763.64 million in 2013. The decrease was mainly due to the decrease in unit cost and the decrease in sales volume of clinker and commercial concrete.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2014 was RMB5,636.62 million, representing a decrease of 0.91% as compared with RMB5,688.24 million in 2013. Gross margin of the cement segment increased by 0.91 percentage point from 23.26% in 2013 to 24.17% in 2014. The increase was mainly due to the decrease in unit production cost and the increase in prices of certain products.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2014 were RMB1,211.43 million, representing a decrease of 5.67% as compared with RMB1,284.20 million in 2013. The decrease was mainly due to the decrease in transportation and packaging costs as a result of the decrease in sales volume in Xinjiang area.

Administrative Expenses

Administrative expenses of the cement segment in 2014 were RMB2,166.80 million, representing an increase of 1.15% as compared with RMB2,142.10 million in 2013.

Segment Results

Based on the above, results of the cement segment in 2014 were RMB3,223.15 million, representing an increase of 4.66% as compared with RMB3,079.68 million in 2013.

High-tech Materials

	2014	2013	Change
	RMB million	*RMB million*	*%*
Turnover	**8,570.11**	6,802.69	25.98
Cost of sales	**6,655.78**	5,341.12	24.61
Gross profit	**1,914.33**	1,461.57	30.98
Selling and marketing expenses	**429.06**	347.56	23.45
Administrative expenses	**1,063.94**	868.56	22.49
Segment results	**558.60**	589.04	(5.17)

Turnover

Turnover of the high-tech materials segment in 2014 was RMB8,570.11 million, representing an increase of 25.98% as compared with RMB6,802.69 million in 2013. The increase was mainly due to the increase in sales volume and unit price of wind power fan blades and the increase in sales volume of glass fiber and products.

Cost of Sales

Cost of sales of the high-tech materials segment in 2014 was RMB6,655.78 million, representing an increase of 24.61% as compared with RMB5,341.12 million in 2013. The increase was mainly due to the increase in sales volume of major products.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2014 was RMB1,914.33 million, representing an increase of 30.98% as compared with RMB1,461.57 million in 2013. Gross margin of the high-tech materials segment increased by 0.85 percentage point from 21.49% in 2013 to 22.34% in 2014. The increase was mainly due to the decrease in production costs and the increase in prices of certain products.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2014 were RMB429.06 million, representing an increase of 23.45% as compared with RMB347.56 million in 2013. The increase was mainly due to the increase in the transportation costs as a result of increase in product sales volume.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2014 were RMB1,063.94 million, representing an increase of 22.49% as compared with RMB868.56 million in 2013. The increase was mainly due to the increase in impairment loss recognised in respect of assets and the increase in research and development expenditure.

Segment Results

Results of the high-tech materials segment in 2014 were RMB558.60 million, representing a decrease of 5.17% as compared with RMB589.04 million in 2013. The decrease was mainly due to the decrease in government grants.

Liquidity and Capital Resources

Cash flows:

	2014 ***RMB million***	2013 *RMB million*
Net cash from operating activities	**5,667.78**	496.93
Net cash used in investing activities	**(1,676.30)**	(2,891.54)
Net cash (used in) from financing activities	**(1,173.33)**	474.48
Cash and cash equivalents at the end of the year	**10,108.92**	7,270.06

Net cash from operating activities

Net cash from operating activities increased from RMB496.93 million in 2013 to RMB5,667.78 million in 2014. The increase was mainly due to the decrease in the increment of trade and other receivables and inventory.

Net cash used in investing activities

Net cash used in investing activities decreased from RMB2,891.54 million in 2013 to RMB1,676.30 million in 2014. The decrease was mainly due to the decrease in the investment in fixed assets.

Net cash (used in) from financing activities

Net cash used in financing activities decreased by RMB1,647.81 million from last year to RMB1,173.33 million in 2014. The decrease was mainly due to the substantial decrease in the increment of debts as compared with last year.

Working Capital

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB10,108.92 million (2013: RMB7,270.06 million). Unutilised bank credit facilities amounted to RMB36,864.89 million (2013: RMB30,125.71 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2014 was 79.63% (2013: 82.28%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, medium-term notes and corporate bonds as shown in the consolidated statement of financial position) less restricted bank balances and bank balances and cash. As at 31 December 2014, the net debt ratio of the Group was 78.39% (2013: 94.74%).

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

Borrowings

As at 31 December 2014, the balance of the Group's borrowings amounted to RMB35,828.41 million.

	31 December 2014 ***RMB million***	31 December 2013 *RMB million*
Short-term borrowings and long-term borrowings due within one year	**14,695.28**	16,257.82
Short-term financing bills	**6,220.00**	2,900.00
Long-term borrowings, net of portions due within one year	**6,160.75**	7,931.43
Corporate bonds	**2,495.16**	2,492.78
Medium-term notes	**6,257.22**	5,755.34
Total borrowings	**35,828.41**	35,337.37

Net Current Liabilities

As at 31 December 2014, the net current liabilities of the Group was approximately RMB10,941.84 million, representing an increase of RMB2,354.00 million as compared with the net current liabilities of RMB8,587.84 million as at 31 December 2013. The increase was mainly due to the increase in the short-term financing bills and trade and other payables.

Inventory Analysis

As at 31 December 2014, the inventory of the Group was approximately RMB8,902.85 million, representing an increase of RMB129.57 million as compared with RMB8,773.28 million as at 31 December 2013. The inventory turnover days decreased from 73.45 days in 2013 to 70.34 days in 2014, mainly attributable to minor changes in inventory as compared with the expansion of business scale.

Trade Receivables

As at 31 December 2014, the Group's trade receivables was approximately RMB13,520.36 million, representing an increase of RMB1,022.98 million as compared with the trade receivables of RMB12,497.38 million as at 31 December 2013. In 2014, the average turnover days of trade receivables of the Group increased by 5.67 days from 79.04 days in 2013 to 84.71 days in 2014.

Contract Work-in-Progress

As at 31 December 2014, the Group's contract work-in-progress was approximately RMB237.56 million, representing a decrease of RMB18.38 million as compared with the contract work-in-progress of RMB255.94 million as at 31 December 2013.

Pledge of Assets

The Group's property, plant and equipment, and prepaid lease payments with carrying values of RMB2,069.53 million and RMB144.58 million respectively as at 31 December 2014 were pledged as security (31 December 2013: RMB1,079.59 million and RMB49.33 million respectively).

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Material Investment

During the Reporting Period, the Company did not make any material investment or have any plan for material investments or purchase of capital assets.

Material Acquisitions and Disposals of Assets

During the Reporting Period, the Company did not have any material acquisition or disposal of assets in respect of its subsidiaries and associates.

Market Risks

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

Contract Risks

The international business accounts for a larger proportion in the Company's cement equipment and engineering services businesses, with a long construction period. Furthermore, in respect of the overseas contracts, under the impacts of uncontrollable factors such as the global environment and political and economic conditions of the place of contract performance, certain projects may have the risks of being deferred, modified or terminated.

During the Reporting Period, the Company further enhanced the management of contract risks, standardized contract terms of new order intakes and improved the execution ability of contracts. The Company cleared out the contracts at hand and had carried out risk prevention plan. For the projects under construction, the Company enhanced assessment of the default in payment of project owners, paid close attention to the project owners' credit status, and conduct periodic settlement for projects in time. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

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

Interest Rate Risks

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

Raw Materials and Energy Price Risks

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

EXECUTIVE DIRECTORS

LIU Zhijiang, aged 57, has been an executive Director and chairman of the Board since February 2013. Prior to that, Mr. Liu served as a non-executive Director from July 2007 to February 2013. He has over 30 years of experience in the PRC non-metal materials industry and served a number of key positions in Tianjin Cement Industry Design & Research Institute from August 1982 to May 2005, such as deputy head and head of the institute. He served as a deputy general manager of the Parent from May 2005 to May 2009; a director and general manager of the Parent from May 2009 to January 2013, and has been appointed as the chairman of the Parent since January 2013. Mr. Liu has been serving as a director of Sinoma International since April 2006 and once served as the chairman of the board of Sinoma International from April 2006 to December 2009, and also served as a director of Tianshan Cement from January 2014 to October 2014. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded as Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家), China Engineering Design Master and was included in the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程國家級人選). Mr. Liu also serves various positions such as the vice president of China Enterprise Directors Association (中國企業家協會), the executive vice president of China Building Materials Federation (中國建築材料聯合會) and the president of China Building Material Construction Association (中國建材工程建設協會). Mr. Liu graduated from South China University of Technology (華南理工大學) in July 1982, majoring in binding materials. He is a professorate senior engineer.

PENG Jianxin, aged 55, has been an executive Director and president of the Company since October 2014. Mr. Peng has over 30 years of experience in the non-metal materials industry. He was a technician in fourth installation division of the Construction Company of the State Bureau of Building Materials Industry (國家建材局建設公司) from September 1983 to October 1984. Mr. Peng successively served as the section chief, team head, manager assistant, project manager, deputy general manager, etc. of Tangshan Installation Engineering Company (唐山安裝工程公司) from October 1984 to October 2002. Mr. Peng served in CBMI Construction successively as the deputy general manager, general manager and secretary to the Party Committee from October 2002 to March 2006. Mr. Peng served as the vice president of Sinoma International from March 2006 to September 2014. Mr. Peng served as the secretary to the Party Committee, chairman of board of directors and general manager of CBMI Construction from March 2006 to December 2008, and served as the chairman of board of directors of the same from December 2008 to September 2014. Mr. Peng served as the general manager of Tianjin Cement Industry Design & Research Institute Co., Ltd. from September 2010 to September 2012, and served as the chairman of board of directors of the same from September 2012 to September 2014. Mr. Peng has been a director of Sinoma International (a listed company) since September 2014. Mr. Peng graduated with a doctoral degree in management science and engineering from Wuhan University of Technology in December 2006. He is a professorate senior engineer.

NON-EXECUTIVE DIRECTORS

YU Shiliang, aged 60, re-designated as a non-executive Director since February 2013. Mr. Yu served as an executive Director and president of the Company from July 2007 to March 2009, and then was re-designated as a non-executive Director and ceased to be the president of the Company since March 2009. From May 2011 to September 2012, he served as the vice chairman of the Board, and was appointed as an executive Director and chairman of the Board from September 2012 to February 2013. Mr. Yu has worked for nearly 35 years in the non-metal materials industry. Mr. Yu has held various positions in State Bureau of Building Materials Industry Xianyang Research & Design Institute of Ceramics (國家建材局咸陽陶瓷研究設計院), such as the deputy head and head of the institute from July 1980 to April 1995 and served as the head of State Building Materials Bureau Synthetic Crystals Research Institute (國家建材局人工晶體研究所), currently a subsidiary of the Parent, from April 1995 to April 1997. Mr. Yu served as the general manager of the Parent from April 1997 to October 2000 and served as the deputy general manager of the Parent from October 2002 to November 2007 and has been serving as the vice chairman of the board of the Parent since May 2009. Mr. Yu served as a director of Sinoma Science & Technology, a listed company, from December 2001 to December 2004 and subsequently from March 2008 to September 2014, as a director of BBMG Corporation (a listed company) from October 2012 to June 2014, and has served as a director of Sinoma Finance since April 2013. Mr. Yu was entitled to a special government allowance provided by the State Council. In 2006, he was awarded the fifth National Outstanding Entrepreneur in Innovation. Mr. Yu was elected as the representative to the 16th and 17th National People's Congress of Chinese Communist Party. He graduated from Nanjing University of Technology (南京工業大學) in August 1978, majoring in ceramics. He is a professorate senior engineer.

LI Xinhua, aged 50, was re-designated as a non-executive Director of the Company since October 2014 and has concurrently been the vice chairman of the Company since February 2013. Mr. Li served as the vice president of the Company from July 2007 to October 2009. He served as an executive Director of the Company from December 2009 to October 2014, vice chairman of the Board from December 2009 to May 2011, and president of the Company from January 2011 to October 2014. Mr. Li has nearly 30 years of experience in the non-metal materials industry. Mr. Li held various key positions, such as vice president and president in Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院), currently a subsidiary of the Parent, from August 1985 to March 2002. Mr. Li was the chairman of the board of Sinoma Science & Technology, an A share-listed company, from May 2003 to May 2013, and served as the president of Sinoma Science & Technology from October 2009 to August 2010. Mr. Li has been serving as a director of the Parent since January 2013 and has served as a general manager of the Parent since February 2013. From May 2011 to October 2012, he served as a director of BBMG Corporation. He served as a director of Sinoma International from July 2011 to September 2014. He has also served as director of three listed companies, namely, Sinoma Science & Technology, Qilianshan Co. and Ningxia Building Materials since May 2003, June 2011 and December 2011 respectively, and has been director of Sinoma Finance since April 2013. Mr. Li is a National Young and Middle Aged Expert with Important Contribution (國家有突出貢獻的中青年專家) and is entitled to a special government allowance provided by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the vice president of Chinese Society for Composite Material (中國複合材料學會), and the vice chairman of Chinese Ceramic Society (中國硅酸鹽學會), etc. Mr. Li graduated with a bachelor's degree in chemical industry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer.

LI Jianlun, aged 57, has been a non-executive Director since July 2013. Mr. Li has served as the vice general manager of the Parent since April 1997 and as the director of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心), currently a subsidiary body of the Parent, since September 2007. Mr. Li had served in China Construction Materials and Geological Prospecting Center at several positions such as the division head of the personnel division, the division head of the planning division, and the assistant to director from July 1982 to April 1997, served as the director of our predecessor, China National Non-Metallic Materials Corporation from February 2002 to July 2007 and also served as the director of Tianshan Cement from October 2005 to December 2011. Mr. Li graduated from the Department of Economics and Management of Hebei Geological Institute with a bachelor's degree in August 1982. Mr. Li is a senior economist.

YU Guobo, aged 58, has been a non-executive Director since July 2013. Mr. Yu has served as the vice general manager of the Parent since November 1998. Mr. Yu had served in Shandong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院) at several positions such as engineer, vice director and director of research office, vice head and head of the institute from January 1982 to November 1997, and during this period, Mr. Yu was accredited at Italian WELKO Company as the engineer from October 1988 to October 1989. Mr. Yu had served as the vice general manager of China Inorganic Materials Technology Industrial Company (中國無機材料科技實業公司) from November 1996 to November 1998. Mr. Yu graduated from Wuhan University of Technology (武漢理工大學) with a doctor's degree majoring in information management in December 2007. Mr. Yu is a professorate senior engineer and is entitled to a special government allowance provided by the State Council.

TANG Baoqi, aged 55, is a non-executive Director. Mr. Tang has over 30 years of experience in the banking industry and financial industry. Mr. Tang served in various departments in the headquarters of China Construction Bank from August 1983 to June 1999, including the transportation division in the second investment department, the non-industrial division in the investment department, the reserve loan division in the second credit department, the electrical, mechanical and textile division in the credit department and in the planning and finance division in the business department. Mr. Tang served in the debt management department of China Cinda Asset Management Co., Ltd. from June 1999 to February 2000. Mr. Tang served as the general manager in asset management department of Well Kent International Investment Company Limited from February 2000 to April 2006. From April 2006 to April 2011, Mr. Tang has served as the chief financial officer of Well Kent International Investment Company Limited. Since April 2011, Mr. Tang has served as the vice president of Well Kent International Investment Company Limited. Mr. Tang graduated with a bachelor's degree in economics from the Infrastructure Finance and Credit Faculty of Hubei Institute of Finance and Economics (湖北財經學院) in August 1983. He is also qualified as a senior economist.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Chong Shun, aged 49, is an independent non-executive Director. Mr. Leung has been serving as an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd (利君國際醫藥(控股)有限公司) since October 2005 and an independent non-executive director of China Communications Construction Company Ltd. (中國交通建設股份有限公司) since January 2011, and served as an independent non-executive director of China Metal Recycling (Holdings) Limited from May 2009 to August 2013. Mr. Leung is a partner of Woo Kwan, Lee & Lo. (胡關李羅律師行), a reputable law firm based in Hong Kong. Mr. Leung became a practicing lawyer since 1991. Mr. Leung graduated from the University of Hong Kong in November 1988 where he obtained a bachelor's degree of Laws with honours and is qualified as a solicitor in both Hong Kong and England.

LU Zhengfei, aged 51, is an independent non-executive Director. Mr. Lu is currently an associate dean, a professor and a supervisor of doctoral students with Guanghua School of Management of the Peking University (北京大學光華管理學院). He is also a consultant to the China Accounting Standards Committee of the Ministry of Finance of the PRC (財政部會計準則委員會), an executive director of the Accounting Society of China (中國會計學會) and deputy head of the financial management committee, and a guest editor of Accounting Research (《會計研究》) and Audit Research (《審計研究》). Mr. Lu has over 20 years of experience in the accounting industry and therefore has gained extensive operational and managerial experience as well as profound knowledge of this field. Mr. Lu served as an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) from February 2004 to January 2011 and has been serving as an independent supervisor of such company since January 2011. Mr. Lu has been an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) since September 2004, an independent non-executive director of Sino Biopharmaceutical Limited (中國生物制藥有限公司) since November 2005, an independent non-executive director of Lian Life Insurance Company, Ltd (利安人壽保險股份有限公司) since May 2011, an independent non-executive director of Mit Automobile Service Co., Ltd. (an unlisted company) since February 2012 and an independent non-executive director of Bank of China Limited since July 2013. Mr. Lu was selected as one of the "Top 100 Talents Program (百人工程)" in social science theories in Beijing in 2001, one of the "New Century Excellent Scholarship Program (新世紀優秀人才支持計劃)" of the Ministry of Education of the PRC (中國教育部) in 2005, one of the first group candidates for the "National Accounting Training Project in the Full Record of Leading Talent (會計名家培養工程)" of the Ministry of Finance in 2013 and one of the "Specially Appointed Professor of Chang Jiang Scholar (長江學者特聘教授)" of the Ministry of Education in 2014. Mr. Lu graduated with a doctoral degree in economics from Nanjing University (南京大學) in June 1996 and completed the post-doctoral research in economics (accounting) at Renmin University of China (中國人民大學).

WANG Shimin, aged 66, is an independent non-executive Director. Mr. Wang served in the Supreme People's Court of the PRC (最高人民法院) from 1980 to 2008, during which he served various key positions, such as the deputy chief of National Judges College (國家法官學院), the deputy chief of Administration in General Office (辦公廳) of the Supreme People's Court and the chief of Bureau of Justice and Material Administration (司法行政裝備管理局). Mr. Wang graduated with a second bachelor's degree in law from University of Science and Technology Beijing (北京科技大學). He is currently a professor at National Judges College.

ZHOU Zude, aged 69, is an independent non-executive Director. Mr. Zhou is currently a SME fellow, the Chief Professor and supervisor of doctoral students of the School of Mechanical and Electronic Engineering of Wuhan University of Technology (武漢理工大學), and a director of the key laboratory of digital manufacturing in Hubei Province (湖北省數字製造重點實驗室). Mr. Zhou held various positions, such as the lecturer of electric engineering faculty and researcher director of machinery automation of Huazhong University of Science and Technology (華中理工大學), the deputy professor and professor of Mechanical Engineering Faculty Department of Huazhong University of Science and Technology, the vice president of Huazhong University of Science and Technology, the visiting professor of University of Bolton, National University of Singapore, the University of Birmingham and The University of Auckland, from July 1970 to May 2000. From May 2000 to June 2010, Mr. Zhou served as the president of Wuhan University of Technology. Mr. Zhou is a senior member of Chinese Mechanical Engineering Society and American Mechanical Engineering Society. Mr. Zhou is also the chief editor of the magazine "Digital Manufacture Science (《數字製造科學》)", the journal of "natural science of Wuhan University of Technology" and the "International Cogent journal", the director of the International Academy for Production Engineering (國際生產工程學會), the deputy chief editor of the magazines "International Biological Mechanics and Electric and Mechanical Engineering Integration (《國際生物機械與機電一體化》)" and "Chinese Mechanical Engineering (《中國機械工程》)", and a member of the editors of the magazine "International Vibration and Noises (《國際振動與噪聲》)" and the "Mechanical Manufacturing and Engineering Journal (《機械製造工程學報》)". Mr. Zhou is also the vice chairman of the fourth board of the Chinese Mechanical Engineering Magazine Agency. Mr. Zhou graduated from Huazhong University of Science and Technology in July 1970 and majored in electric system automation. Mr. Zhou also attended advanced studies at the University of Birmingham.

SUPERVISORS

XU Weibing, aged 55, is the chairman of the Supervisory Committee of the Company. Ms. Xu has been serving as the chief accountant of the Parent since October 2000 and served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from 2005 to July 2007. Ms. Xu has over 25 years of working experience in financial accounting and capital operation. She joined the Parent in 1989 and has served various key accounting and financial positions. Ms. Xu served as a supervisor of Sinoma Science & Technology (an A share-listed company) from December 2001 to September 2014, and have also been the chairman of Sinoma Finance since April 2013. Ms. Xu is entitled to a special government allowance provided by the State Council. She also serves as the committee member of China Association of Chief Financial Officers, deputy head of Geology Division of China Association of Chief Financial Officers and deputy head of geology sub-committee of the Accounting Society of China. Ms. Xu graduated from Liaoning Finance and Economics Institute (遼寧財經學院) in July 1983, majoring in finance. She is also a senior accountant.

ZHANG Renjie, aged 50, is a Supervisor of the Company. Mr. Zhang has been serving as the chief financial officer of Taian State-owned Assets Management Co., Ltd. since August 2005. Mr. Zhang previously served as a deputy director of the finance division of Taian Fruit Company (泰安市果品公司) from August 1984 to March 1991. He served as the deputy director of finance division and audit division of Taian Machinery and Electronics Administrative Bureau from March 1991 to January 2000. Mr. Zhang served as the manager of the finance and audit department and an assistant to the general manager of Taian State-owned Assets from January 2000 to August 2005. Mr. Zhang graduated in 1997 from Shandong Executive Leadership Academy (山東幹部大學) with a bachelor's degree in accounting. He is also a senior auditor.

WANG Jianguo, aged 58, is a Supervisor of the Company. Prior to that, he served as the deputy head of Beijing Ceramics Factory (北京市陶瓷廠) from March 1992 to September 1995. Mr. Wang also worked in Beijing Building Material Group Corporation as an operational manager and the vice chairman of the labour union from September 1995 to August 2000, and later became the chairman of the labor union of BBMG since August 2000. Mr. Wang served as a director and chairman of the labour union of BBMG since March 2006, and a director and standing deputy general manager from November 2009 to July 2012, then as the vice chairman of the board of BBMG since July 2012. Mr. Wang graduated from Capital University of Economics and Business (首都經貿大學) in July 1987 and majored in economics. Mr. Wang is currently an economist and senior political engineer.

WANG Yingcai, aged 43, has been a Supervisor since July 2013. Mr. Wang has served as the head of the audit department of the Company since August 2007 and currently as the supervisor of several subsidiaries of the Company. Mr. Wang worked at the finance division of the China Construction Materials and Geological Prospecting Center (中國建築材料工業地質勘查中心) from July 1994 to April 1997, worked at the finance department of the Parent from April 1997 to April 2004, and served as the finance manager and vice chief accountant of Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司) from April 2004 to August 2007. Mr. Wang has served as the chief auditor of the Parent since December 2010 and as the head of the audit department of the Parent since May 2011. Mr. Wang served as the supervisor of Qianlianshan Co. (an A share-listed company) from October 2011 to November 2014, and has served as the supervisor of Ningxia Building Materials (an A share-listed company) since December 2011 and the chairman of the supervisory committee of Sinoma Finance since April 2013. In July 2007, Mr. Wang graduated from the Research Institute of the Ministry of Finance with a master's degree majoring in accounting. Mr. Wang is a senior accountant and a registered tax agent.

QU Xiaoli, aged 44, is an employee representative Supervisor of the Company. Mr. Qu has been serving as the head of the finance department of the Company since August 2007. Mr. Qu served in the audit department of China Construction Materials and Geological Prospecting Center (中國建材地質勘查中心) from July 1995 to November 1999. He also served as the chief accountant of Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司) from November 1999 to August 2006. Mr. Qu served as a supervisor of Sinoma International from July 2011 to September 2014, a supervisor of Qilianshan Co. from October 2011 to November 2014, and has been a supervisor of Tianshan Cement and Ningxia Building Materials since December 2011 and also a supervisor of Sinoma Finance since April 2013. Mr. Qu graduated from Hebei College of Geology (河北地質學院) in July 1995 and majored in accounting. He is also a senior accountant.

SENIOR MANAGEMENT

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

YU Mingqing, aged 51, is the vice president of the Company. Mr. Yu worked in Wuhan Building Materials Industry Design and Research Institute (武漢建築材料設計研究院), currently a subsidiary of the Parent, from June 1988 to June 1989. Mr. Yu worked at Shandong Industrial Ceramics Research and Design Institute (山東工業陶瓷研究設計院) from July 1989 to April 2001, where he served various key positions such as vice head and head of the institute. Mr. Yu also served as the head of Sinoma Synthetic Crystals Research Institute (中材人工晶體研究院), currently a subsidiary of the Parent, from May 2001 to November 2005. Mr. Yu served as the chairman of the board of Sinoma Advanced Materials from June 2004 to February 2009, and he had been the deputy general manager of China National Non-Metallic Materials Corporation, our predecessor, since October 2004. Mr. Yu has worked for over 25 years in the non-metallic materials industry and has accumulated extensive knowledge of the industry. He is entitled to a special government allowance provided by the State Council and is a Provincial Young and Middle Aged Expert with Important Contribution (省部級有重要貢獻的中青年專家) and an Outstanding Entrepreneur in the National Building Materials Industry (全國建材行業優秀企業家). Mr. Yu also serves as the member of China Building Materials Federation and member of the State Construction Material Industry Technology Education Committee. Mr. Yu graduated from Wuhan University of Technology (武漢理工大學) in January 2003, majoring in materials and holds a doctorate degree in engineering. Mr. Yu is currently a professorate senior engineer.

GU Chao, aged 54, is the vice president of the Company, and was appointed as the secretary to the Board of the Company in July 2010. Mr. Gu joined China Building Materials Industry Construction Corporation (中國建築材料工業建設總公司), our predecessor, in 1989, where he served various senior managerial positions in production, business development and overseas engineering departments. Mr. Gu served as a deputy general manager of our predecessor China National Non-Metallic Materials Corporation since September 2000. Mr. Gu has over 25 years of work experience in the non-metallic materials industry and has profound understanding of this industry in China. Mr. Gu graduated from Xi'an University of Architecture and Technology (西安冶金建築學院) in July 1982, majoring in constructions. Mr. Gu is currently a professorate senior engineer.

SU Kui, aged 52, is the vice president of the Company. Mr. Su has extensive experience in corporate investment, operation and management, and has more than 25 years of experience in the non-metallic materials industry. Mr. Su joined the Parent in 1987 and held various positions such as manager of the general planning department, manager of finance department, manager of planning and technical department and assistant to the general manager of the Parent. Mr. Su had been serving as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation, since March 2002 and was the secretary of the Board of the Company from July 2007 to July 2010. Mr. Su is also a member of the State Construction Material Industry Technology Education Committee (國家建築材料工業科技教育委員會), standing director of Chinese Ceramic Society (中國硅酸鹽學會) and honorary director-general of Non-metallic

Minerals Branch (非金屬礦分會). Mr. Su graduated from Wuhan University of Technology (武漢理工大學) in July 1984, majoring in non-metals mining. He is currently a professorate senior engineer.

JIN Leyong, aged 60, is the vice president of the Company. Mr. Jin has over 30 years of experience in the building materials industry. Mr. Jin served various positions such as assistant engineer, engineer, department head and assistant to the president of Tianjin Cement Institute from January 1982 to June 1992. Mr. Jin then joined China Nongfang North Corporation (中國農房華北公司) and served as the deputy general manager and general manager from June 1992 to October 1999. Mr. Jin was subsequently appointed as the deputy chief of the State Building Materials Bureau Retirement Department (國家建材局離退休幹部局) for a term commencing from October 1999 and ending in October 2001. Mr. Jin first joined the Parent in October 2001 and served senior managerial positions in various subsidiaries of the Parent. Mr. Jin had served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation, since December 2005. Mr. Jin graduated from Wuhan University of Technology (武漢理工大學) in January 1982 with a bachelor's degree in constructions. He is currently a professorate senior engineer. In December 2012, he was qualified as CERMIC (高級風險管理與內控職業經理) by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會).

SUI Yumin, aged 50, is the vice president of the Company and has been serving as the chairman of the board of Sinoma Cement since April 2010. Mr. Sui has over 25 years of extensive work experience in the cement industry. He held various positions in Lunan Cement Factory (魯南水泥廠) such as deputy chief engineer and executive deputy general manager from August 1986 to August 2003. Mr. Sui worked as the deputy general manager of Sinoma Cement and the chairman of the board and general manager of Sinoma Hanjiang from August 2003 to September 2004. Subsequently, Mr. Sui served as the deputy general manager and executive deputy general manager of Tianshan Cement until July 2007. Mr. Sui served as a director of Tianshan Cement from October 2005 to December 2013, and has been serving as a director of Ningxia Building Materials since December 2008. Mr. Sui enjoys special government allowances from the state Council, and is currently the vice president of China Cement Association (中國水泥協會). Mr. Sui graduated from Shandong Institute of Building Materials (山東建材學院) in July 1986, majoring in cement engineering, and obtained his executive master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010. Mr. Sui is currently a professorate senior engineer.

WANG Baoguo, aged 59, is the vice president of the Company. Mr. Wang worked for the Shandong Economic Planning Commission (山東省計委) from 1981 to 1992. Mr. Wang also served as deputy mayor of Dongying City, Shandong Province (山東省東營市副市長) from December 1992 to October 2003. Mr. Wang served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation, from October 2003 to July 2007, and a Supervisor of the Company from July 2007 to October 2009, and he has been serving as the vice president of the Company since October 2009 and as the chairman of Yangzhou Zhongke Semiconductor Lighting Co., Ltd. (currently a subsidiary of the Parent) since February 2011. Mr. Wang also served as the general manager of Sinoma Jinjing from February 2004 to June 2011, and the chairman from February 2004 to January 2013. Mr. Wang graduated from the Party School of the Central Committee of the Communist Party of China (CPC) (中共中央黨校), majoring in economics and management. Mr. Wang is currently a senior economist.

WANG Guanglin, aged 56, is the vice president of the Company. Mr. Wang has over 30 years of experience in cement industry. He held various positions such as an assistant to the head and the deputy head of Ningxia Cement Factory (寧夏水泥廠) from November 1984 to March 1997, and successively served as head, deputy general manager, chairman of the board and general manager in Qingtongxia Cement Factory, Ningxia Hui Autonomous Region Building Materials Industrial Corporation, Qingtongxia Cement Corporation and Ningxia Building Materials Group from March 1997 to November 2005, respectively. He served as the chairman of the board of Sinoma Cement from September 2007 to April

2010, and served as the chairman of the board of Ningxia Building Materials from November 2005 to November 2013. Mr. Wang has also been serving as a director of two A share-listed companies, namely Ningxia Building Materials and Tianshan Cement, since October 2003 and January 2014, respectively. Mr. Wang graduated from Chinese University of Hong Kong in December 2008 with a master's degree in business administration. Mr. Wang is currently a professorate senior engineer.

WANG Wei, aged 58, is the vice president of the Company. Mr. Wang served as a director and the president of Sinoma International from December 2001 to December 2009 and as the chairman of the board of Sinoma International from December 2009 to September 2014. Mr. Wang served as the supervisor of the Company from July 2007 to March 2010 and was appointed as the vice president of the Company in March 2010. Mr. Wang joined the Parent in 1984 and held various positions, such as deputy head of Nanjing Cement Industry Design and Research Institute. Mr. Wang served as the deputy general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. As a nationwide outstanding entrepreneur in the building materials industry entitled to a special government allowance provided by the State Council, Mr. Wang has extensive knowledge of the industry. He also serves as the vice chairman of China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會), an executive member of the Mergers and Acquisitions Financing Committee of the China Association for Public Companies (中國上市公司協會併購融資委員會), the China director of the BRICS Business Council, the vice president of China Building Materials Federation (中國建築材料聯合會) and the vice president of China Cement Association (中國水泥協會). Mr. Wang graduated from Nanjing University of Technology (南京工業大學) in January 1982, majoring in cement engineering. He is currently a professorate senior engineer.

LIU Yan, aged 49, is the vice president of the Company. Mr. Liu has also been serving as the chairman of the board of Sinoma Advanced Materials since January 2010. Mr. Liu joined the Parent in 1985 and held various positions such as assistant to the head and deputy head of Nanjing Fiberglass R&D Institute (南京玻璃纖維研究設計院). Mr. Liu was the vice president of Sinoma Science & Technology from December 2001 to May 2003 and was the president of Sinoma Science & Technology from May 2003 to October 2009. Mr. Liu graduated from Nanjing University of Technology (南京工業大學) in July 1985, majoring in silicate engineering. Mr. Liu is currently a senior engineer.

YU Kaijun, aged 51, is the Chief Financial Officer of the Company. Mr. Yu worked at the Finance Bureau of Pingliang District of Gansu Province from July 1982 to November 1990. Mr. Yu served as the chief financial officer and deputy general manager of Shenzhen Languang Science & Technology Co., Ltd. (深圳蘭光科技股份有限公司) (and its predecessor, Shenzhen Languang Electronic Industrial Corporation (深圳蘭光電子工業總公司)) from November 1990 to October 2001. Mr. Yu served as the chief financial officer of Sinoma International from December 2001 to January 2011. Mr. Yu has been a supervisor of Ningxia Building Materials and Tianshan Cement since December 2011. Mr. Yu has been a director of BBMG Corporation since August 2014. Mr. Yu graduated from the Hong Kong Polytechnic University in December 2006, majoring in accounting and obtained a master's degree in accounting. He is currently a senior accountant.

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

DIRECTORS' REPORT

The Board is pleased to present the annual report for the year ended 31 December 2014, together with the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL BUSINESS

The Group is principally engaged in the cement equipment and engineering services, cement and high-tech materials businesses. Details of the businesses of the Company's principal subsidiaries are set out in note 53(a) to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 and the financial information of the Group as at 31 December 2014 are set out in the audited financial statements of this report.

SHARE CAPITAL

The share capital structure of the Company as at 31 December 2014 is set out as follows:

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

DIVIDEND

The Board recommends the distribution of final dividend of RMB0.03 per share (tax inclusive) in an aggregate amount of RMB107.14 million for the year ended 31 December 2014.

PUBLIC FLOAT

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

DIRECTORS AND SUPERVISORS

Certain information concerning the Directors and the Supervisors as at 31 December 2014 is set out below:

Name	Position	Gender	Age	Term
LIU Zhijiang	Chairman of the Board and Executive Director	Male	57	30 July 2013 – 29 July 2016
PENG Jianxin	Executive Director and President	Male	55	21 October 2014 – 29 July 2016
YU Shiliang	Non-executive Director	Male	60	30 July 2013 – 29 July 2016
LI Xinhua	Vice-chairman of the Board	Male	50	30 July 2013 – 29 July 2016
	Non-executive Director			21 October 2014 – 29 July 2016
LI Jianlun	Non-executive Director	Male	57	30 July 2013 – 29 July 2016
YU Guobo	Non-executive Director	Male	58	30 July 2013 – 29 July 2016
TANG Baoqi	Non-executive Director	Male	55	30 July 2013 – 29 July 2016
LEUNG Chong Shun	Independent non-executive Director	Male	49	30 July 2013 – 29 July 2016
LU Zhengfei	Independent non-executive Director	Male	51	30 July 2013 – 29 July 2016
WANG Shimin	Independent non-executive Director	Male	66	30 July 2013 – 29 July 2016
ZHOU Zude	Independent non-executive Director	Male	69	30 July 2013 – 29 July 2016
XU Weibing	Chairman of the Supervisory Committee	Female	55	30 July 2013 – 29 July 2016
ZHANG Renjie	Supervisor	Male	50	30 July 2013 – 29 July 2016
WANG Jianguo	Supervisor	Male	58	30 July 2013 – 29 July 2016
WANG Yingcai	Supervisor	Male	43	30 July 2013 – 29 July 2016
QU Xiaoli	Supervisor	Male	44	30 July 2013 – 29 July 2016

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

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

DISCLOSURE OF INTERESTS

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

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

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

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

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

As at 31 December 2014, so far as the Directors, Supervisors and the chief executive of the Company are aware, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of Interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation Ltd.	Domestic shares	N/A	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Co., Ltd.	Domestic shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	N/A	130,793,218	100.00%	3.66%
Lazard Asset Management LLC	H shares	Long position	116,239,964	9.98%	3.25%
National Council for Social Security Fund	H shares	Long position	93,124,115	7.99%	2.61%

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

Save as disclosed above, so far as the Directors, Supervisors and chief executive of the Company are aware, as at 31 December 2014, there was no other person having interests and/or short positions in the shares and underlying shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register referred to therein.

MAJOR CUSTOMERS AND SUPPLIERS

The consolidated turnover from the five largest customers of the Group accounted for less than 30% of the Group's total turnover in 2014.

The consolidated total purchases made by the Group from its five largest suppliers accounted for less than 30% of the Group's total purchases in 2014.

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

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

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company or any of its subsidiaries.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2014, the addition of property, plant and equipment of the Group was approximately RMB4,546.05 million. Details of the movements are set out in note 21 to the consolidated financial statements.

RESERVES

Details of the movement of the Group's reserves during the year 2014 are set out in the "Consolidated Statement of Changes in Equity" of this report.

EMPLOYEES

As at 31 December 2014, the Group had 57,187 employees.

REMUNERATION POLICY

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

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

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

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

RETIREMENT PLAN OF EMPLOYEES

Details are set out in note 39 to the consolidated financial statements.

SHARE APPRECIATION RIGHTS SCHEME

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

The lock-up period of the share appreciation rights expired on 22 October 2012. Pursuant to the share appreciation rights scheme, the 3,480,000 share appreciation rights granted to the remaining 14 Directors and senior management members would be vested to the incentive recipients in even proportion for each of the three years (2012-2014) subject to the results conditions upon the expiry of the lock-up period of the share appreciation rights. As the results of the Company in 2012, 2013 and 2014 did not fulfill the vesting conditions as required under the share appreciation rights scheme, all share appreciation rights would not be vested to the remaining 14 Directors and senior management members and became lapsed.

ULTRA-SHORT-TERM FINANCING BONDS

In order to expand the financing channels and satisfy the operation needs of the Group, on 23 May 2014, the general meeting of the Company has approved the issued of ultra-short-term financing bonds with the scale of no more than RMB8,000,000,000.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATIONS

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

	2014 (person)
RMB800,000 and below	8
RMB800,001 to RMB1,000,000	2
RMB1,000,001 to RMB1,200,000	1
	11

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACT

No Director or Supervisor of the Company had a material interest, either directly or indirectly, in any material contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and which was subsisting at the end of the year 2014 or at any time during the year 2014.

MANAGEMENT CONTRACT

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

CONNECTED TRANSACTIONS

1. Exempted Connected Transactions

1.1 Non-competition Agreement

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

For the year ended 31 December 2014, save as disclosed in the prospectus of the Company, no Director of the Company (including independent non-executive Directors) has made any decision to exercise the options.

For the year ended 31 December 2014, the Parent confirmed its compliance with the commitments stated in the non-competition agreement, and provided the independent non-executive Directors with all information required for the annual review and the execution of the non-competition agreement.

2. Non-exempted Connected Transactions

Acquisition of the non-current assets of Kunlunshan Lime by Qinghai Qilianshan

On 14 August 2014, Qinghai Qilianshan, a subsidiary of the Company entered into the transfer agreement with Kunlunshan Lime, a subsidiary of the Parent, pursuant to which, Qinghai Qilianshan agreed to acquire the non-current assets owned by Kunlunshan Lime (including the building construction, structures, electromechanical equipment and land use right) at a cash consideration of RMB20,076,300.

As Kunlunshan Lime is a subsidiary of the Parent, and the Parent is a controlling shareholder of the Company, thus Kunlunshan Lime is a connected person of the Company under the Listing Rules.

The Company is of the view that the acquisition of the non-current assets will enable it to make full use of the limestone resources of the ancillary mines of Qinghai Qilianshan, to integrate and optimize the work space and the production and living facilities in the cement base and lime production base so as to give play to the scale effect and increase its operation efficiency.

Details of the transaction are set out in the announcement of the Company dated 14 August 2014 on the websites of the Hong Kong Stock Exchange and the Company.

3. Non-exempted Continuing Connected Transactions

The Group entered into certain non-exempted continuing connected transactions in 2014. The table below sets out the annual caps and the actual transaction amounts of such transactions:

Connected Transactions		**Expenditure**		**Revenue**	
		Actual amount	**Cap**	**Actual amount**	**Cap**
		RMB	*RMB*	*RMB*	*RMB*
Property Lease Framework Agreement	(1)	10,618,000	40,000,000	–	–
Mutual Supply of Services Framework Agreement	(2)	314,519,000	800,000,000	2,418,000	20,000,000
Mutual Supply of Products Framework Agreement	(3)	206,967,000	550,000,000	31,407,000	150,000,000

		Deposit Services (Maximum daily balance (including accrued interests))		Other Financial Services (Services fee payable to Sinoma Finance)	
		Actual amount	Cap	Actual amount	Cap
		RMB	*RMB*	*RMB*	*RMB*
Financial Services Framework Agreement	(4)	2,076,459,000	3,800,000,000	60,000	200,000,000

3.1 Property Lease Framework Agreement

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

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

Under the property lease framework agreement, the rentals shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-prescribed price or state-recommended price, then the relevant market price; 4) where there is no such price or such price is not applicable, then the contracted price, which shall be determined on the basis of reasonable cost plus reasonable profit margin and by reference to the historical rentals.

The property lease framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the property lease framework agreement shall be renewed for a further term of three years, subject to the relevant requirements under the Listing Rules and mutual agreement of both parties. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, the annual cap on the aggregate rentals payable by the Group to the Parent Group for 2014 under the above property lease framework agreement was RMB40,000,000 and the actual total rental incurred was approximately RMB10,618,000.

3.2 Mutual Supply of Services Framework Agreement

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

Under the mutual supply of services framework agreement, the price shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price; 4) where there is no relevant market price, then the contracted price, which shall be determined on the basis of reasonable cost plus reasonable profit margin and by reference to the historical figures for preceding years.

The mutual supply of services framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the mutual supply of services framework agreement shall be renewed for a further term of three years, subject to the relevant requirements under the Listing Rules and mutual agreement of both parties. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, a) the annual cap on revenue from the provision of certain services to the Parent Group by the Group for 2014 was RMB20,000,000 and the actual revenue incurred was approximately RMB2,418,000; b) the annual cap on expenditure from the provision of certain services to the Group by the Parent Group for 2014 was RMB800,000,000 and the actual expenditure incurred was approximately RMB314,519,000.

3.3 Mutual Supply of Products Framework Agreement

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

Under the mutual supply of products framework agreement, the price shall be determined in accordance with the following pricing principles: 1) the state-prescribed price; 2) where there is no state-prescribed price, then the relevant state-recommended price; 3) where there is no state-recommended price, then the relevant market price; 4) where there is no relevant market price, then the contracted price, which shall be determined on the basis of reasonable cost plus reasonable profit margin and by reference to the historical figures for preceding years.

The mutual supply of products framework agreement was for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, the mutual supply of products framework agreement shall be renewed for a further term of three years, subject to the relevant requirements under the Listing Rules and mutual agreement of both parties. Details of the transaction are set out in the announcement of the Company dated 12 October 2012 on the websites of the Hong Kong Stock Exchange and the Company.

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

During the Reporting Period, a) the annual cap on revenue from the sale of certain products to the Parent Group by the Group for 2014 was RMB150,000,000 and the actual revenue incurred was approximately RMB31,407,000; b) the annual cap on expenditure from the sale of certain products to the Group by the Parent Group for 2014 was RMB550,000,000 and the actual expenditure incurred was approximately RMB206,967,000.

3.4 Financial Services Framework Agreement

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

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

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

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

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

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

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

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

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

During the Reporting Period, a) in respect of deposit services, the annual cap on maximum daily balance of deposits placed by members of the Group with Sinoma Finance (including accrued interests) for 2014 was RMB3,800,000,000, and the actual maximum daily balance (including accrued interests) amounted to approximately RMB2,076,459,000; b) in respect of other financial services, the annual cap on service fees payable to Sinoma Finance by members of the Group for 2014 was RMB200,000,000, and the actual service fees paid amounted to approximately RMB60,000.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2014 has followed the pricing principles of such continuing connected transactions.

The Directors (including the Independent non-executive Directors) have confirmed with the Board that they have reviewed the non-exempted continuing connected transactions under paragraphs 3.1 to 3.4 above and confirmed that such transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and (c) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

- The pricing of the continuing connected transactions involving provisions of goods and services by the Group, in all material respects, are in accordance with the pricing policies of the Company as disclosed in note 51 to the consolidated financial statements;

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

- The continuing connected transactions as disclosed in paragraphs 3.1 to 3.4 above did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 51 to the consolidated financial statements fall into the category of discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHT

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

TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to their H-share shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045 Document issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders is subject to individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries where they are residing and Mainland China. Pursuant to the aforesaid Notices, the Company will withhold 10% of the dividend as income tax otherwise specified by the relevant tax regulations, tax agreements or the notices. Shareholders may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving the dividends.

MATERIAL LEGAL MATTERS

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

On 7 January 2014, Sinoma E&E filed a civil litigation against Shanghai Fuyuan Metal Materials Co., Ltd., Tang Heshui, Sun Biqing, Sun Shaomao and Shanghai Haolong Metal Materials Co., Ltd. due to sale and purchase contract disputes. On 31 March 2014, Sinoma E&E received a Letter of Civil Mediation ((2014) Hai Min Chu Zi No.06317) issued by the People's Court of Haidian District, Beijing. In addition, Sinoma E&E also filed three other litigations in November 2013, i.e. two litigations between Sinoma E&E and the parties comprising Shanghai Xinkuang Iron & Steel Co., Ltd., Zheng Miaohua, Zhou Yiqing, Shanghai Mingchu Industrial Co., Ltd., Shanghai Yixian Industrial Development Co., Ltd., Xiao Yimiao, Zheng Guopan and Zheng Xinghuo (Sinoma E&E received Letters of Civil Mediation ((2014) Hai Min Chu Zi No.00406 and (2014) Hai Min Chu Zi No.00407) issued by the People's Court of Haidian District, Beijing in respect of these two litigations in April 2014); and a litigation between Sinoma E&E and its debtor Hangzhou Bay Industrial Co., Ltd.. Details of the cases are set out in the announcements of the Company dated 8 January 2014, 2 April 2014 and 16 April 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed a civil action to the court in respect of its sale and purchase contract dispute with SinoSteel Guangdong Co., Ltd., and Sinoma E&E has appealed to the court in respect of the first instance judgment. In September 2014, Sinoma E&E received the second instance judgment. Details of the case are set out in the announcements of the Company dated 1 March 2014 and 23 September 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed civil actions to the court in respect of its contract disputes with COSCO Supply Chain Management Co., Ltd. ("COSCO Supply Chain") and Beijing CMST Logistics Co., Ltd. ("Beijing CMST") respectively. Each of COSCO Supply Chain and Beijing CMST had appealed to the court in respect of the first instance judgment. On 28 April 2014, Sinoma E&E received the second instance judgment in respect of the civil litigation against COSCO Supply Chain from Beijing First Intermediate People's Court. On 25 December 2014, the Company received a report from Sinoma E&E, stating that Sinoma E&E and COSCO Supply Chain had entered into a mediation agreement presided by the court. Details of the cases are set out in the announcements of the Company dated 18 January 2014, 29 April 2014, 12 August 2014 and 26 December 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed a civil action to the court in respect of its contract disputes with Suzhou Longhu Property Co., Ltd., a subsidiary of the Parent. On 22 December 2014, Sinoma E&E received the Notice of Case Acceptance issued by the court. Details of the case are set out in the announcement of the Company dated 22 December 2014 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

On 5 January 2015, Sinoma E&E received the Notice of Respondence to Action ((2015) Hai Min Chu Zi No.636) issued by the court that the litigation on loan contract disputes between Bank of Beijing Shuangyushun Branch and Sinoma E&E has been accepted. Details of the case are set out in the announcement of the Company dated 7 January 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

Sinoma E&E filed a civil action to the court in respect of its sale and purchase contract dispute with the parties comprising Shanghai Dingqi Trading Co., Ltd., Shanghai Huaji Steel Materials Co., Ltd., Shanghai Xinmao Industrial Development Co., Ltd. and Lin Qinhua, Fujian Jinlin Industrial Co., Ltd., Shanghai Zhongtang Industrial Co., Ltd., Fujian Bangsheng Group Co., Ltd., Xu Qingzhuang, Li Shoulong, Wu Zhouguo and Lin Lizhen as guarantors. On 7 January 2015, Sinoma E&E received the Civil Verdict ((2013) HU YI ZHONG MIN SI (SHANG) CHU ZI No.24) issued by Shanghai No.1 People's Intermediate Court. Details of the case are set out in the announcement of the Company dated 7 January 2015 on the websites of the Hong Kong Stock Exchange and the Company, respectively.

AUDITORS

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountant LLP have been appointed as the Hong Kong auditor and PRC auditor of the Company, respectively, for the year ended 31 December 2014. SHINEWING (HK) CPA Limited has audited the accompanying financial statements that are prepared in accordance with Hong Kong Financial Reporting Standards. These two auditors have been appointed by the Company since the annual report of 2008.

DONATION

The Group made donations for charitable or other similar purpose to a total amount of approximately RMB3.04 million during the Reporting Period.

SUPERVISORY COMMITTEE'S REPORT

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

During the Reporting Period, the Supervisory Committee had convened four meetings. At the fourth meeting of the third session of the Supervisory Committee held on 28 March 2014, the Company's 2013 annual report, the audited financial report, the annual profit distribution proposal and the Supervisory Committee's report were considered and approved. At the fifth meeting of the third session of the Supervisory Committee held on 28 April 2014, the 2014 first quarterly financial statements of the Company were considered and approved. At the sixth meeting of the third session of the Supervisory Committee held on 26 August 2014, the 2014 interim report of the Company was considered and approved. At the seventh meeting of the third session of the Supervisory Committee held on 30 October 2014, the 2014 third quarterly financial statements of the Company were considered and approved. Mr. QU Xiaoli, a Supervisor, appointed Mr. WANG Yingcai as his proxy to attend the fourth meeting of the third session of the Supervisory Committee and the sixth meeting of the third session of the Supervisory Committee on behalf of him. All of the other Supervisors attended the aforesaid meetings of the Supervisory Committee. During the Reporting Period, members of the Supervisory Committee attended all the general meetings of the Company convened during the year and attended the Board meetings in person as nonvoting participants during the year, and also reviewed the proposals which have been submitted to the Board for consideration. The Supervisors supervised the Company's major decision-making processes and the performance of duties by the Directors and the senior management by attending such meetings as non-voting participants.

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

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

The Supervisory Committee has duly reviewed the financial report for 2014 audited by the independent auditor with unqualified opinion, and considers that the report accurately, truly and fairly presented the financial position and the results of operations of the Company on a consistent basis.

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

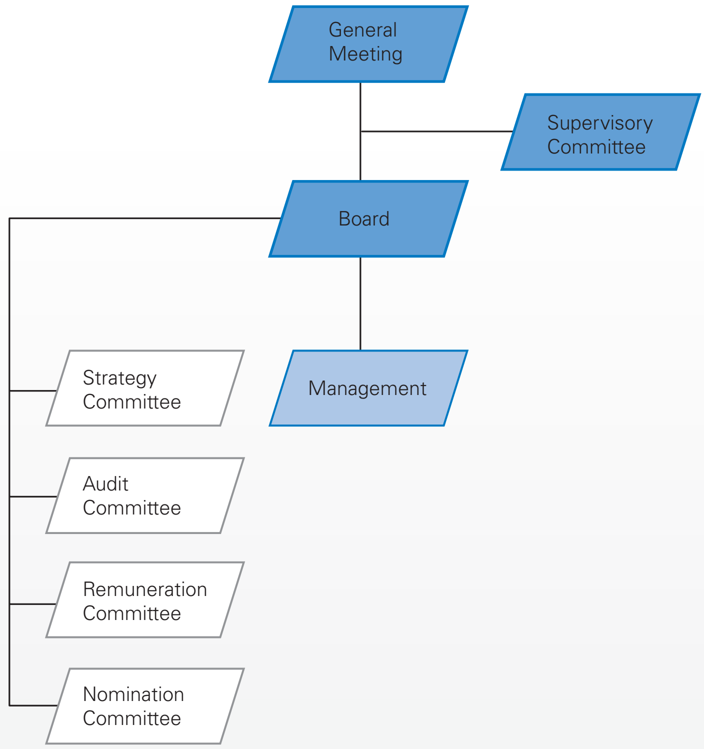
The Supervisory Committee is fully confident about the development prospects of the Company. In 2015, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association and relevant requirements.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

During the Reporting Period, the Company established a standard and sophisticated corporate governance structure in strict compliance with laws and regulations such as the Company Law of the PRC and the Securities Law of the PRC and the requirements of domestic and foreign regulatory bodies. The Company is committed to maintaining its corporate governance at a high standard to enhance the shareholders' value in the long run.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE DOCUMENTS

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

1. Articles of Association

2. Rules of Procedures for General Meetings

3. Rules of Procedures for the Board

4. Rules of Procedures for the Supervisory Committee

5. Rules of Procedures for the Strategy Committee

6. Rules of Procedures for the Audit Committee

7. Rules of Procedures for the Remuneration Committee

8. Rules of Procedures for the Nomination Committee

9. Working System for Independent Directors

10. Administrative System for Information Disclosure

11. Administrative System for Connected Transactions

12. Administrative System for Investor Relations

13. Rules of Internal Auditing

14. Internal Control Audit Method

15. Financial Management System

During the Reporting Period, the Board reviewed a series of corporate governance documents, including the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure for the Board, the Rules of Procedures for the Audit Committee, the Rules of Procedures for the Remuneration Committee and the Rules of Procedures for the Nomination Committee, and monitored the implementation of these documents from time to time; reviewed and keenly organised professional training and continuous professional development for the Directors and Senior Management; reviewed and monitored the Company whether there was any violation of laws and regulatory requirements; approved the corporate governance report for the year 2013, as well as the disclosures made on the website of Hong Kong Stock Exchange and the Company website; formulated, reviewed and supervised shareholders' communication policies to ensure their effectiveness.

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

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

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

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

"CORPORATE GOVERNANCE CODE" AND "CORPORATE GOVERNANCE REPORT"

For the year ended 31 December 2014, the Company has fully complied with the code provisions as set out in the "Corporate Governance Code" and "Corporate Governance Report".

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and has required that securities transactions by Directors and Supervisors be conducted in compliance with the Model Code, which is also applicable to the senior management of the Company. After the specific enquiries made by the Company, all Directors and Supervisors have confirmed that they had fully complied with the Model Code throughout the year of 2014.

BOARD OF DIRECTORS

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

Name	Position	Gender	Age	Term
LIU Zhijiang	Executive Director and Chairman of the Board	Male	57	30 July 2013 to 29 July 2016
PENG Jianxin	Executive Director and President	Male	55	21 October 2014 to 29 July 2016
YU Shiliang	Non-executive Director	Male	60	30 July 2013 to 29 July 2016
LI Xinhua	Executive Director and President	Male	50	30 July 2013 to 21 October 2014
	Vice-chairman of the Board			30 July 2013 to 29 July 2016
	Non-executive Director			21 October 2014 to 29 July 2016
ZHANG Hai	Non-executive Director	Male	56	30 July 2013 to 21 October 2014
LI Jianlun	Non-executive Director	Male	57	30 July 2013 to 29 July 2016
YU Guobo	Non-executive Director	Male	58	30 July 2013 to 29 July 2016
TANG Baoqi	Non-executive Director	Male	55	30 July 2013 to 29 July 2016
LEUNG Chong Shun	Independent Non-executive Director	Male	49	30 July 2013 to 29 July 2016
LU Zhengfei	Independent Non-executive Director	Male	51	30 July 2013 to 29 July 2016
WANG Shimin	Independent Non-executive Director	Male	66	30 July 2013 to 29 July 2016
ZHOU Zude	Independent Non-executive Director	Male	69	30 July 2013 to 29 July 2016

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

The Board mainly decides on the following matters:

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

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial status of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2014, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimates to prepare the financial statements on the basis of going concern. The statement of responsibilities of the auditors is set out in the independent auditor's report of this annual report. The Board is responsible for properly maintaining and reasonably and accurately disclosing at any time the accounting records of the financial information of the Company. The Board convenes meetings at least four times per year and whenever important decisions have to be made.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the Reporting Period, Mr. LIU Zhijiang served as chairmen of the Board, Mr. LI Xinhua (from 1 January 2014 to 21 October 2014) and then Mr. PENG Jianxin (from 21 October 2014) served successively as the president. Chairman of the Board and president are two different positions which are clearly delineated. The chairman of the Board shall not concurrently serve as the president of the Company. The responsibilities between the chairman of the Board and the president shall be clearly separated and defined in written form. The chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association sets out in detail the respective responsibilities of the chairman of the Board and the president. Senior management of the Company, other than the Directors and the Supervisors, is responsible for the daily business operation of the Company. Their positions are set out in the section headed "Biography of Directors, Supervisors and Senior Management" in this annual report.

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

A total of eight Board meetings were convened during 2014. The individual members' attendance rate of Board meetings is as follows:

Directors	Number of Attendance	Number of Attendance by proxy	Attendance Rate
LIU Zhijiang	8	0	100%
PENG Jianxin	3	0	100%
YU Shiliang	8	0	100%
LI Xinhua	8	0	100%
ZHANG Hai	5	0	100%
LI Jianlun	8	0	100%
YU Guobo	8	0	100%
TANG Baoqi	8	0	100%
LEUNG Chong Shun	8	0	100%
SHI Chungui	8	0	100%
LU Zhengfei	8	0	100%
WANG Shimin	8	0	100%
ZHOU Zude	8	0	100%

Notes:

Mr. PENG Jianxin was appointed as the executive Director of the Company on 21 October 2014. During his term of office, Mr. PENG attended all the three meetings of the Board in person.
Mr. ZHANG Hai ceased to be the non-executive Director of the Company on 21 October 2014. During his term of office, Mr. ZHANG attended all the five meetings of the Board in person.

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

A total of two general meetings were convened during 2014. The attendance rate of the Directors is as follows:

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

Notes:

Mr. PENG Jianxin was appointed as the executive Director of the Company on 21 October 2014. Since then and until the end of the Reporting Period, no general meeting was convened by the Company.

Mr. ZHANG Hai ceased to be the non-executive Director of the Company on 21 October 2014. During his term of office, Mr. ZHANG attended both general meetings in person.

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

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

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

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

Other than their service contracts, the Directors and the Supervisors do not have any direct or indirect personal beneficial interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2014.

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

STRATEGY COMMITTEE

The composition of the Strategy Committee during the Reporting Period and up to the date of this annual report is set out below:

	Chairman	Member
1 January 2014 to 21 October 2014	LIU Zhijiang	YU Shiliang, LI Xinhua, ZHANG Hai, LI Jianlun, YU Guobo, ZHOU Zude
From 21 October 2014	LIU Zhijiang	YU Shiliang, LI Xinhua, PENG Jianxin, LI Jianlun, YU Guobo, ZHOU Zude

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

During the Reporting Period, the Strategy Committee convened one meeting. All the members of the committee attended the meeting. At the first meeting of the third session of the Strategy Committee held on 28 March 2014, the "Work Report of the President of China National Materials Company Limited for 2013" was approved and the financial budget (draft) and investment budget (draft) of the Company for 2014 was considered and then submitted to the seventh meeting of the third session of the Board for approval.

AUDIT COMMITTEE

The composition of the Audit Committee during the Reporting Period and up to the date of this annual report is set out below:

	Chairman	Member
From 1 January 2014	LU Zhengfei	WANG Shimin, YU Shiliang

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

From the date of the Company's listing on the Hong Kong Stock Exchange and up to 31 December 2014, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

Pursuant to the requirements of the Rules of Procedures of the Audit Committee, a total of five meetings were convened for the year. At the third meeting of the third session of the Audit Committee held on 21 January 2014, the resolution regarding the auditing plan on the 2013 financial statements issued by SHINEWING (HK) CPA Limited was considered, the Committee listened to the report made by SHINEWING (HK) CPA Limited on the findings of the preliminary audit and examined the improvement of the relevant internal control on risks with reference to the management proposal of last year. At the fourth meeting of the third session of the Audit Committee held on 17 March 2014, the resolution regarding the submission of the 2013 audited financial report to the Board and the resolution regarding the appointment of ShineWing Certified Public Accountant LLP and SHINEWING (HK) CPA Limited as the domestic and international auditors respectively for 2014 were considered, and the the Committee discussed with the management on measures to be taken to improve the internal control on risks with reference to the management proposal. At the fifth meeting of the third session of the Audit Committee held on 25 April 2014, the resolution regarding the submission of the 2014 Q1 financial report to the Board was considered. At the sixth meeting of the third session of the Audit Committee held on 14 August 2014, the resolution regarding the submission of the 2014 interim financial report to the Board was considered. At the seventh meeting of the third session of the Audit Committee held on 28 October 2014, the resolution regarding the submission of the 2014 Q3 financial report to the Board was considered. All the members of the Audit Committee attended the above five meetings.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee during the Reporting Period and up to the date of this annual report is set out below:

	Chairman	Member
From 1 January 2014	WANG Shimin	LEUNG Chong Shun, LU Zhengfei

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

During the Reporting Period, the Remuneration Committee held two meetings. At the second meeting of the third session of the Remuneration Committee held on 22 March 2014, (1) the resolution regarding the remuneration proposal for the Company's senior management for the year 2014 was heard and considered; (2) the appraisal measures on the operation performance of the Company's senior management during their respective term of office were heard and considered; (3) the resolution regarding the operation performance targets of the Company's senior management for their respective term of office was heard and considered. At the third meeting of the third session of the Remuneration Committee held on 28 November 2014, the resolution regarding the payment proposal on performance-linked 2013 annual salary of the Company's senior management was heard and considered. All the members of the Remuneration Committee attended the above two meetings.

NOMINATION COMMITTEE

The composition of the Nomination Committee during the Reporting Period and up to the date of this annual report is set out below:

	Chairman	Member
From 1 January 2014	LIU Zhijiang	WANG Shimin, ZHOU Zude

The Nomination Committee is mainly responsible for reviewing the structure, numbers and composition of the Board and making recommendations to the Board in relation to any changes; formulating the standards, procedures and methods for screening candidates for Directors and senior management of the Company and its invested enterprises and making recommendations to the Board.

During the Reporting Period, the Nomination Committee held two meetings. At the first meeting of the third session of the Nomination Committee held on 6 August 2014, Mr. PENG Jianxin was recommended to serve as the non-executive Director of the Company, and Mr. ZHANG Hai ceased to be the non-executive Director of the Company. At the second meeting of the third session of the Nomination Committee held on 29 September 2014, Mr. PENG Jianxin was recommended to serve as the executive Director and president of the Company, and Mr. LI Xinhua ceased to be the executive Director and president of the Company and was re-designated as a non-executive Director of the Company. All the members of the Nomination Committee attended the above two meetings.

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

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy:

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as follows:

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

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

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

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

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

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

During the Reporting Period, the Board held meetings to review the Company's compliance with the code and the relevant disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants LLP were respectively appointed as the Hong Kong auditor and the PRC auditor of the Company for the year 2014, respectively, and their remuneration was determined by the Audit Committee of the Board. The auditors' remuneration for their provision of audit services for the year 2014 amounted to RMB9.5 million. The auditors' remuneration for their provision of review services on the interim report and profit forecast in accordance with the Listing Rules for the year 2014 amounted to RMB0.5 million. For provision of internal control audit services to the subsidiaries of the Company for the year 2014 as required by the domestic regulatory rules, the auditors' remuneration amounted to RMB1.69 million. Apart from the aforesaid fees, the Group did not incur any other non-audit fees.

COMPANY SECRETARIES

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

SHAREHOLDERS' RIGHT

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

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

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

INTERNAL CONTROL SYSTEM

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

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

REVIEW FOR THE YEAR

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

During the Reporting Period, in light of the practice of development and risk control, and based on the optimizing and improvement of the existing risk management and internal control management system, the Company prepared, published and issued the Manual on Comprehensive Risk Management and Internal Control, establishing a relatively sound, effective and comprehensive risk management and internal control system covering the whole Company, so as to enhance the Company's ability in risk prevention and control.

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

During the Reporting Period, the Company further improved its ability in risk management and control, with constant optimization of its comprehensive risk management and internal control system. All subsidiaries of the Company carried out rigorous internal assessment and internal auditing, and continuous efforts were made to improve their respective internal control systems. The Company facilitated the establishment of a vertical management system of internal audit and formulated the quality control criteria for external auditing, so as to improve the quality of internal auditing, make full use of the audit results to facilitate rectification and enhance the role of internal auditing in risk management and internal control. Through litigations, the Company basically solved the risks arising from the steel trading business of our subsidiaries.

INTERNAL AUDIT UNIT

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

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

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

Secondly, focusing on the problems and risks, the headquarters of the Company conducted 17 economic responsibility audits, placing priority on a number of aspects such as implementation of strategies, corporate governance, the system of "Three Important and One Crucial", the establishment of internal control system, bid invitation, bank accounts, monetary capital, bank bills, debt assets, waste and aged materials, land, mining rights and property right management, so as to highlight any deficiency in internal control and risks involved in the operation.

Thirdly, focusing on the operation of the internal control system on risk management, the Group conscientiously carried out internal control self-assessment. In accordance with the Tentative Measures on Implementation of Internal Control Assessment, The Company conducted internal control self-assessment during September to December 2014, so as to identify the deficiencies of internal control involved in the procurement management, contract management, business outsourcing and other processes and improve the internal control system.

Fourthly, focusing on the major business areas, the Company enhanced auditing on overseas projects. Through audit, the Company gained experiences and lessons on project management to have a understanding of project risks, so as to improve the effectiveness of project management. Highlighting the crucial cost control aspect, the Company strengthened specific audit on bidding management by carrying out self-examination on bidding management and sampling auditing, so as to improve the relevant system.

Fifthly, the Company made good use of the audit findings to realize the value of auditing. The Company convened auditing joint meetings to circulate the audit findings and clarify responsibility of rectification. In response to every problem confronted by each unit, the Company formulated and circulated Opinions on Rectification Based on Auditing, which comprised five parts including description of the problem, evidences of the problem, the risks and effects, suggestions for rectification and feedback on the results, so as to point out the specific problem, highlight the risks, provide advices and oversee the implementation of rectification, with an aim to establish a closed-loop management mode.

Investor Relations and Communication with Shareholders

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

Shareholders' general meetings not only make decisions on major matters of the Company, but also provide direct communication channels among the Directors, the management and the shareholders. Therefore, the Company highly values shareholders' general meetings and sends notices of such meetings 45 days prior to the meetings which set out the procedures for voting by poll and the rights of shareholders to demand to vote by poll in accordance with the Listing Rules. During the Reporting Period, the Company held two shareholders' general meetings at which major matters of the Company were considered, such as 2013 audited financial report, profit distribution, issue of ultra-short-term financing bonds and adjustment of the Directors etc.

The Company highly values investor relations and has set up a special telephone and electronic mail box for investors. The Company received enquiries from institutional investors by way of telephone and emails, and received visits from institutional investors during the year. In 2014, the Company received visits from 24 institutional investors and delegations and held meetings with over 140 seller's analysts to discuss the Company's operations.

In 2014, the Company ran two results releases and international non-deal road shows, visited 43 investment institutions and communicated with 48 investors through one-on-one meetings or group meetings. Through communication with the investors, the Company enables investors to have a full understanding of its various financial and operating information and its latest development timely.

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

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

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

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

We have audited the consolidated financial statements of China National Materials Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 221, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

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

Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	8	**55,284,822**	52,081,316
Cost of sales		**(45,230,945)**	(42,069,189)
Gross profit		**10,053,877**	10,012,127
Interest income	10	**121,657**	139,248
Other gains	11	**1,377,406**	1,391,835
Selling and marketing expenses		**(1,847,430)**	(1,822,560)
Administrative expenses		**(5,360,127)**	(5,450,365)
Exchange loss	12	**(42,883)**	(85,263)
Other expenses	13	**(93,455)**	(53,317)
Finance costs	14	**(2,165,066)**	(1,961,946)
Share of results of associates		**74,393**	66,353
Share of results of joint ventures		**(84,696)**	(27,269)
Profit before tax		**2,033,676**	2,208,843
Income tax expense	15	**(718,046)**	(743,432)
Profit for the year	16	**1,315,630**	1,465,411
Profit for the year attributable to:			
Owners of the Company		**507,156**	397,512
Non-controlling interests		**808,474**	1,067,899
		1,315,630	1,465,411
Earnings per share – basic and diluted (expressed in RMB per share)	20	**0.142**	0.111

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	**1,315,630**	1,465,411
Other comprehensive income (expenses)		
Items that will not be subsequently reclassified to profit or loss:		
Actuarial gain (loss) on defined benefit obligations	**25,145**	(16,195)
Income tax relating to actuarial (gain) loss on defined benefit obligations	**(5,433)**	4,425
	19,712	(11,770)
Items that may be reclassified subsequently to profit or loss:		
Safety fund set aside	**161,584**	137,510
Utilisation of safety fund	**(100,496)**	(83,577)
Exchange differences arising on translation	**20,653**	(45,079)
Gain (Loss) on fair value changes of available-for-sale financial assets	**1,112,130**	(301,858)
Income tax relating to fair value changes of available-for-sale financial assets	**(214,037)**	76,300
	979,834	(216,704)
Other comprehensive income (expenses) for the year (net of tax)	**999,546**	(228,474)
Total comprehensive income for the year	**2,315,176**	1,236,937
Total comprehensive income attributable to:		
Owners of the Company	**1,226,453**	169,069
Non-controlling interests	**1,088,723**	1,067,868
	2,315,176	1,236,937

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31/12/2014 RMB'000	31/12/2013 RMB'000
Non-current assets			
Property, plant and equipment	21	**45,375,394**	45,210,186
Prepaid lease payments	22	**3,926,396**	3,853,959
Investment properties	23	**243,772**	176,004
Intangible assets	24	**651,932**	721,844
Mining rights	26	**562,954**	512,945
Interests in associates	27	**853,211**	863,718
Interests in joint ventures	28	**49,542**	134,238
Available-for-sale financial assets	29	**3,572,045**	2,022,555
Trade and other receivables	32	**616,027**	87,611
Other non-current assets		**369,041**	220,328
Deferred income tax assets	45	**914,430**	832,197
		57,134,744	54,635,585
Current assets			
Inventories	31	**8,902,852**	8,773,280
Trade and other receivables	32	**21,480,633**	21,594,044
Amounts due from customers for contract work	33	**573,062**	599,010
Prepaid lease payments	22	**135,871**	131,052
Derivative financial instruments	30	**–**	21,169
Other current assets		**165,622**	107,875
Restricted bank balances	34	**1,402,897**	1,379,963
Bank balances and cash	35	**10,108,923**	7,270,055
		42,769,860	39,876,448
Current liabilities			
Trade and other payables	36	**30,043,843**	28,453,138
Dividend payable		**9,366**	8,117
Amounts due to customers for contract work	33	**335,503**	343,066
Derivative financial instruments	30	**1,690**	–
Income tax liabilities		**631,439**	426,190
Short-term financing bills	37	**6,220,000**	2,900,000
Borrowings	38	**14,695,282**	16,257,821
Medium-term notes	43	**1,700,000**	–
Early retirement and supplemental benefit obligations	39	**53,184**	50,897
Provisions	41	**21,389**	25,060
		53,711,696	48,464,289
Net current liabilities		**(10,941,836)**	(8,587,841)
Total assets less current liabilities		**46,192,908**	46,047,744

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	31/12/2014 RMB'000	31/12/2013 RMB'000
Non-current liabilities			
Trade and other payables	36	5,390	4,034
Corporate bonds	42	2,495,162	2,492,782
Medium-term notes	43	4,557,222	5,755,339
Borrowings	38	6,160,754	7,931,426
Provisions	41	80,868	56,460
Deferred income	44	860,957	764,333
Early retirement and supplemental benefit obligations	39	223,848	266,371
Deferred income tax liabilities	45	788,515	608,842
		15,172,716	17,879,587
NET ASSETS		31,020,192	28,168,157
Capital and reserves			
Share capital	46	3,571,464	3,571,464
Reserves		10,248,340	7,833,772
Equity attributable to owners of the Company		13,819,804	11,405,236
Non-controlling interests		17,200,388	16,762,921
TOTAL EQUITY		31,020,192	28,168,157

The consolidated financial statements on pages 61 to 221 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

LIU Zhijiang
Director

PENG Jianxin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Safety fund *RMB'000* *(Note (i))*	Foreign exchange reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note (ii))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2013	3,571,464	3,273,160	(950,788)	121,630	114,381	(20,208)	1,205,026	268,482	3,894,625	11,477,772	15,819,444	27,297,216
Profit for the year	–	–	–	–	–	–	–	–	397,512	397,512	1,067,899	1,465,411
Other comprehensive income (expenses)												
Actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	(15,531)	–	(15,531)	(664)	(16,195)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	4,291	–	4,291	134	4,425
Safety fund set aside	–	–	–	–	97,545	–	–	–	–	97,545	39,965	137,510
Utilisation of safety fund	–	–	–	–	(57,911)	–	–	–	–	(57,911)	(25,666)	(83,577)
Exchange differences arising on translation	–	–	–	–	–	(26,661)	–	–	–	(26,661)	(18,418)	(45,079)
Loss on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	(307,290)	–	–	(307,290)	5,432	(301,858)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	–	–	–	77,114	–	–	77,114	(814)	76,300
Total comprehensive income (expense) for the year	–	–	–	–	39,634	(26,661)	(230,176)	(11,240)	397,512	169,069	1,067,868	1,236,937
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(314,185)	(314,185)
Acquisition of subsidiaries *(Note 47 (a) (i) & (ii))*	–	–	–	–	–	–	–	–	–	–	139,742	139,742
Transactions with non-controlling interests *(Note (v))*	–	–	–	–	–	–	–	359,228	–	359,228	50,052	409,280
Government contributions *(Note (iii))*	–	–	–	–	–	–	–	21,880	–	21,880	–	21,880
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(107,144)	(107,144)	–	(107,144)
Merger reserves arising from common control combination	–	–	(515,569)	–	–	–	–	–	–	(515,569)	–	(515,569)
Appropriation to statutory surplus reserve	–	–	–	5,814	–	–	–	–	(5,814)	–	–	–
Capitalisation of reserve *(Note (vi))*	–	–	30,815	–	–	–	–	(30,815)	–	–	–	–
At 31 December 2013	3,571,464	3,273,160	(1,435,542)	127,444	154,015	(46,869)	974,850	607,535	4,179,179	11,405,236	16,762,921	28,168,157

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Safety fund *RMB'000* *(Note (i))*	Foreign exchange reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note (ii))*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014	3,571,464	3,273,160	(1,435,542)	127,444	154,015	(46,869)	974,850	607,535	4,179,179	11,405,236	16,762,921	28,168,157
Profit for the year	–	–	–	–	–	–	–	–	507,156	507,156	808,474	1,315,630
Other comprehensive income (expenses)												
Actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	26,080	–	26,080	(935)	25,145
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	–	–	–	(5,601)	–	(5,601)	168	(5,433)
Safety fund set aside	–	–	–	–	96,650	–	–	–	–	96,650	64,934	161,584
Utilisation of safety fund	–	–	–	–	(47,788)	–	–	–	–	(47,788)	(52,708)	(100,496)
Exchange differences arising on translation	–	–	–	–	–	8,564	–	–	–	8,564	12,089	20,653
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	–	–	837,471	–	–	837,471	274,659	1,112,130
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	–	–	–	(196,079)	–	–	(196,079)	(17,958)	(214,037)
Total comprehensive income (expense) for the year	–	–	–	–	48,862	8,564	641,392	20,479	507,156	1,226,453	1,088,723	2,315,176
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(374,599)	(374,599)
Transactions with non-controlling interests *(Note (iv))*	–	–	–	–	–	–	–	(131,106)	–	(131,106)	(276,657)	(407,763)
Government contributions *(Note (iii))*	–	–	–	–	–	–	–	1,390,650	–	1,390,650	–	1,390,650
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(71,429)	(71,429)	–	(71,429)
Appropriation to statutory surplus reserve	–	–	–	2,667	–	–	–	–	(2,667)	–	–	–
At 31 December 2014	3,571,464	3,273,160	(1,435,542)	130,111	202,877	(38,305)	1,616,242	1,887,558	4,612,239	13,819,804	17,200,388	31,020,192

Notes:

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

(ii) Other reserves mainly comprise of reserves from transactions with the non-controlling interests, deemed contributions from owners of the Company, government contributions and actuarial gain or loss on defined benefit obligations.

(iii) During the year ended 31 December 2014, national funds of approximately RMB1,390,650,000 (2013: RMB21,880,000) are contributed by the PRC Government to the Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

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

(iv) During the year ended 31 December 2014, the Group paid RMB407,763,000 to acquire additional equity interests in non-wholly owned subsidiaries with a carrying amount of non-controlling interests prior to the acquisition of the additional interests of RMB276,657,000.

During the year ended 31 December 2013, the Group received RMB409,280,000 to dispose of certain equity interests in non-wholly owned subsidiaries, the carrying amount of those disposal interests immediately prior to the disposal amounted to RMB50,052,000.

(v) During the year ended 31 December 2013, prior to the effective date of combination of the subsidiaries under common control (Note 48), capital reserves of RMB30,815,000 were converted into paid-in capital of these subsidiaries under common control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**2,033,676**	2,208,843
Adjustments for:		
Allowance for inventories	**152,458**	147,997
Amortisation of intangible assets	**51,551**	39,340
Amortisation of mining rights	**53,239**	49,673
Amortisation of prepaid lease payments	**86,855**	86,439
Depreciation of property, plant and equipment	**3,388,251**	3,092,117
Depreciation of investment properties	**23,938**	11,987
Dividend income on available-for-sale financial assets	**(25,006)**	(23,883)
Gain on debts restructuring	**(8,526)**	(44,250)
Finance costs	**2,165,066**	1,961,946
Foreseeable losses on construction contracts	**61,921**	58,348
Government grants	**(112,847)**	(314,334)
Impairment loss recognised in respect of property, plant and equipment	**282,644**	240,126
Impairment loss recognised in respect of intangible assets	**77,658**	139,013
Impairment loss recognised in respect of trade receivables	**249,828**	743,363
Impairment loss recognised in respect of prepayments to suppliers and subcontractors and other receivables	**212,733**	320,088
Impairment loss recognised in respect of loan receivables	**11,390**	8,513
Impairment loss recognised in respect of available-for-sale financial assets	**–**	5,330
Interest income	**(121,657)**	(139,248)
Changes in fair values of foreign currency forward contracts	**5,204**	(4,895)
Exchange gain on realisation of foreign currency forward contracts	**(8,957)**	(14,700)
Loss on deemed disposal of an associate	**–**	29,480
Net loss (gain) on disposal of property, plant and equipment	**10,390**	(25,810)
Net gain on disposal of prepaid lease payments	**(259,118)**	–
Net gain on disposal of associates	**–**	(26,024)
Net gain on disposal of available-for-sale financial assets	**(229)**	(2,362)
Net gain on disposal of intangible assets	**(328)**	–
Reversal of allowance for inventories	**(14,251)**	(12,205)
Reversal of impairment loss in respect of other receivables	**(13,447)**	(25,000)
Reversal of provision for litigation	**–**	(27,780)
Safety fund set aside	**161,584**	137,510
Cash-settled share based payments	**(113)**	(871)
Share of results of associates	**(74,393)**	(66,353)
Share of results of joint ventures	**84,696**	27,269
Utilisation/amortisation of government grants	**(206,629)**	(212,814)
Waiver of other payables	**(11,357)**	(9,818)
Operating cash flows before movements in working capital	**8,256,224**	8,357,035

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		2014 RMB'000	2013 RMB'000
Operating cash flows before movements in working capital			
Increase in inventories		**(267,779)**	(355,490)
Increase in trade and other receivables		**(94,210)**	(8,387,677)
Increase in contracts work-in-progress		**(43,536)**	(44,266)
(Increase) decrease in other current and non-current assets		**(206,460)**	47,000
(Increase) decrease in trade and other payables		**(1,273,395)**	1,883,767
Increase in provisions		**20,737**	15,788
Receipts from net gain arising from forward contracts		**26,612**	–
Decrease in early retirement and supplemental benefit obligations		**(15,091)**	(30,793)
Decrease in safety fund		**(100,496)**	(83,577)
Cash generated from operations		**6,302,606**	1,401,787
Income tax paid		**(634,827)**	(904,858)
NET CASH FROM OPERATING ACTIVITIES		**5,667,779**	496,929
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,420,244)**	(2,935,522)
Purchase of prepaid lease payments		**(191,439)**	(457,083)
Purchase of mining rights		**(103,248)**	(50,700)
Purchase of investment properties		**(91,706)**	(14,676)
Purchase of available-for-sale financial assets		**(438,103)**	(42,182)
Receipt from net gain arising from foreign currency forwards contracts		**–**	2,477
Repayment of (advance to) loan receivables		**47,795**	(19,245)
Purchase of intangible assets		**(64,280)**	(50,184)
Placement of restricted bank balances		**–**	594,126
Withdrawal from restricted bank balances		**(22,934)**	–
Payments for common control business combination		**–**	(515,569)
Interest received on bank deposits and loan receivables		**118,296**	141,280
Proceeds from disposals of property, plant and equipment		**359,555**	674,073
Proceeds from disposals of prepaid lease payments		**86,446**	–
Proceeds from disposals of intangible assets		**5,311**	–
Proceeds from disposals of an associate		**–**	260,020
Proceeds from disposals of available-for-sale financial assets		**896**	3,121
Dividends received on available-for-sale financial assets		**25,006**	23,883
Dividends received from associates		**84,900**	144,375
Dividends received from joint ventures		**–**	989
Net cash outflow on acquisition of subsidiaries	*47*	**(72,547)**	(650,727)
NET CASH USED IN INVESTING ACTIVITIES		**(1,676,296)**	(2,891,544)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
Proceeds from new borrowings		**20,601,401**	19,472,821
Government grants received		**416,100**	602,578
Repayments of borrowings		**(24,071,086)**	(20,464,120)
Interest paid		**(2,193,832)**	(2,071,030)
Dividends paid to non-controlling interests		**(370,344)**	(325,818)
Dividends paid		**(70,180)**	(171,109)
Gross proceeds from issuance of medium-term notes		**500,000**	500,000
Government contributions		**1,102,360**	21,880
Received from disposal of equity interests in subsidiaries		**–**	409,280
Payment for acquisition of additional equity interests in subsidiaries		**(407,763)**	–
Proceeds from short-term financing bills		**7,270,000**	2,900,000
Repayments of short-term financing bills		**(3,950,000)**	(400,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,173,344)**	474,482
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,818,139**	(1,920,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**7,270,055**	9,235,267
Effect of foreign exchange rate changes		**20,729**	(45,079)
		10,108,923	7,270,055
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,			
represented by:			
Bank balances and cash		**10,108,923**	7,270,055

1. GENERAL INFORMATION

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law. Its immediate holding company is China National Materials Group Corporation Ltd. ("Sinoma Group"). The directors of the Company regard the ultimate holding party as at 31 December 2014 to be Chinese State owned Assets Supervision and Administration Commission of the State Council. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

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

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of cement equipment and engineering services, production and sales of cement and high-tech materials. Particulars of the Company's principal subsidiaries are set out in Note 53(a).

2. BASIS OF PREPARATION AND PRESENTATION

Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB10,941,836,000 as at 31 December 2014.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2014 by taking into consideration the followings:

- The directors of the Company anticipate that the Group will generate positive cash flows from its operations; and

- At 31 December 2014, the Group has undrawn borrowings facilities available for immediate use of approximately RMB36,864,885,000 out of which approximately RMB13,253,682,000 will not be expiring in the next twelve months from 31 December 2014. Details of which are set out in Note 38(g).

Based on the above, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2014. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretations Committee) ("HK(IFRIC*)") – Int 21	Levies

* IFRIC represents the IFRS Interpretations Committee.

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

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

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

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

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

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is catergorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The directors of the Company consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) – Int 21 *Levies* for the first time in the current year. HK(IFRIC) – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) – Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces a "expected credit loss" model for impairment assessments.

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

HKFRS 9 (2014) Financial Instruments *(Continued)*

Key requirements of HKFRS 9 (2014) are described as follows:

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

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

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

HKFRS 9 (2014) Financial Instruments *(Continued)*

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

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 5.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocate the transaction price to the performance obligations; and
v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle *(Continued)*

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

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

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

The directors of the Company anticipate that the application of the amendments to HKAS 19 may have an impact on the amounts reported in respect of the Group's defined benefit plans. However, it is not practicable to provide a reasonable estimate to that effect until a detailed review has been completed.

Amendments to HKFRS 10 and HKAS 28 Sale and Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

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

Amendments to HKFRS 10 and HKAS 28 Sale and Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

The directors of the Company anticipate that the application of the amendments to HKFRS 10 and HKAS 28 may have an impact on the amounts reported in respect of the Group's interests in associates and joint venture. However, it is not practicable to provide a reasonable estimate to that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Company's financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 *Business Combination*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

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

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations *(Continued)*

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations, the directors of the Company do not anticipate that the application of the amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

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

Amendments to HKAS 1 Disclosure Initiative *(Continued)*

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

(i) Business combinations other than common control combinations

Businesses combinations are accounted for by applying 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 incurred to effect a business combination are 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 arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

(i) Business combinations other than common control combinations *(Continued)*

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

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

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

(ii) Merger accounting for business combination involving entities under common control

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Investment properties

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

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

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

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

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

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

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

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

Mining rights

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

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

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

Inventories

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

Cash and cash equivalents

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

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in "other gains" or "other expenses" line items. Fair value is determined in the manner described in Note 5.3.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

Impairment loss on financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets *(Continued)*

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

Impairment losses on AFS equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

Equity instruments

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

Other financial liabilities

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

Effective interest method

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

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

Derivative financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group are not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

(i) the amount of obligation under the contracts, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognise a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial 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 a collateralised borrowing for the proceeds received.

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

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

Provisions

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

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

Warranties

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

Revenue recognition

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

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

(a) Revenue from cement equipment and engineering services

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

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

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

(b) Other services rendered

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(c) Sales of products

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

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

(d) Rental income

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

(e) Interest income

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

(f) Dividend income

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

(g) Penalty income

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

Borrowing costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred income tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

(a) Retirement benefit costs and termination benefits

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

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

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

The Group presents the first two components of defined benefit costs in profit or loss and other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Housing funds

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

(c) Bonus entitlements

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

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for goods or services acquired, measured initially at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss for the year.

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

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

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

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

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

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	31/12/2014 **RMB'000**	31/12/2013 RMB'000
Financial assets		
Derivative financial instruments	**–**	21,169
Loans and receivables (including cash and cash equivalents)	**27,277,754**	23,406,928
Available-for-sale financial assets	**3,572,045**	2,022,555
	30,849,799	25,450,652
Financial liabilities		
Derivative financial instruments	**1,690**	–
Amortised cost	**55,154,884**	52,849,217
	55,156,574	52,849,217

5.2 Financial risk management objectives and policies

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

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

(a) Foreign exchange risk

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2014 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), South African Rand ("ZAR"), CFA Franc BCEAO ("XOF"), Malaysian Ringgit ("MYR"), Emirati Dirham ("AED"), Iraqi Dinar ("IQD"), Albanian Lek ("ALL"), Saudi Arabian Riyal ("SAR") and Azerbaijani Manat ("AZN").

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

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

	Assets		Liabilities	
	31/12/2014	31/12/2013	**31/12/2014**	31/12/2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
US$	**1,634,591**	1,614,497	**(2,080,817)**	(1,950,257)
EUR	**345,170**	344,017	**(523,446)**	(531,516)
ZAR	**17,424**	16,353	**–**	–
SAR	**277,992**	254,076	**–**	–
XOF	**34,758**	37,872	**–**	–
MYR	**12,347**	13,855	**–**	–
AED	**22,593**	25,679	**–**	–
IQD	**122,497**	122,920	**–**	–
ALL	**73,932**	76,618	**–**	–
AZN	**58,333**	62,836	**–**	–
Others	**207,570**	186,883	**(6,745)**	(5,033)
	2,807,207	2,755,606	**(2,611,008)**	(2,486,806)

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

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against US$ with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB3,793,000 (2013: RMB2,854,000) higher. The adverse movement in US$ would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 2% (2013: 2%) against EUR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB3,031,000 (2013: RMB3,187,000) higher. The adverse movement in EUR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 5% (2013: 5%) against ZAR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB741,000 (2013: RMB695,000) lower. The adverse movement in ZAR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against SAR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 2,363,000 (2013: RMB2,160,000) lower. The adverse movement in SAR would be an equal and opposite impact on post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against XOF with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 295,000 (2013: RMB 322,000) lower. The adverse movement in XOF would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against MYR with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 105,000 (2013: RMB118,000) lower.The adverse movement in MYR would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against AED with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 192,000 (2013: 218,000) lower. The adverse movement in AED would be an equal and opposite impact on the post-tax profit for the year.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(a) Foreign exchange risk *(Continued)*

Sensitivity analysis (Continued)

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against IQD with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 1,041,000 (2013: RMB1,045,000) lower. The adverse movement in IQD would be equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against ALL with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 628,000 (2013: 651,000) lower. The adverse movement in ALL would be an equal and opposite impact on the post-tax profit for the year.

As at 31 December 2014, if RMB had strengthened by 1% (2013: 1%) against AZN with all other variables held constant, which was considered reasonably possible at that date by management, the post-tax profit for the year would have been approximately RMB 496,000 (2013: 534,000) lower. The adverse movement in AZN would be an equal and opposite impact on the post-tax profit for the year.

(b) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes. Bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk, loan receivable, restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes at fixed rates expose the Group to fair value interest-rate risk.

The interest rates and maturities of the Group's loan receivables, restricted bank balances, bank balances, short-term financing bills, borrowings, corporate bonds and medium-term notes are disclosed in Notes 32, 34, 35, 37, 38, 42 and 43.

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

As at 31 December 2014, if the interest rate on variable-rate borrowings and bank balances, had been 100 basis points (2013: 100 basis points) higher with all other variables held constant, which was considered reasonably possible at that date by management, profit for the year would has been RMB16,670,000 (2013: RMB53,506,000), mainly as a result of higher interest expenses on bank borrowings and higher interest income on bank balances.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(b) Cash flow and fair value interest rate risk *(Continued)*

	At fixed rates ***RMB'000***	**At variable rates** ***RMB'000***
31 December 2014		
Loan receivables	**3,639**	**–**
Restricted bank balances	**1,402,897**	**–**
Bank balances	**835,752**	**9,220,288**
Short-term financing bills	**(6,220,000)**	**–**
Borrowings	**(9,058,882)**	**(11,797,154)**
Corporate bonds	**(2,495,162)**	**–**
Medium-term notes	**(6,257,222)**	**–**
	(21,788,978)	**(2,576,866)**

	At fixed rates *RMB'000*	At variable rates *RMB'000*
31 December 2013		
Loan receivables	10,406	–
Restricted bank balances	1,379,963	–
Bank balances	705,338	6,523,475
Short-term financing bills	(2,900,000)	–
Borrowings	(9,600,712)	(14,588,535)
Corporate bonds	(2,492,782)	–
Medium-term notes	(5,755,339)	–
	(18,653,126)	(8,065,060)

(c) Other price risk

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

Sensitivity analysis

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

If the price of the respective equity securities had been 10% (2013: 10%) higher/lower, the investment revaluation reserve would increase/decrease by approximately RMB226,612,000 (2013: RMB139,145,000), net of tax for the Group as a result of the changes in fair value of available-for-sale financial assets.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(d) Credit risk

The carrying amounts of trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collaterals as security. The directors of the Company consider the Group does not have a significant concentration of credit risk. Contributions from the largest and five largest customers accounted for approximately 1% (2013: 2%) and 3% (2013: 5%) of the Group's total trade receivables as at 31 December 2014.

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

The debtors of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2014 and 2013.

(e) Liquidity risk

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

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

The maturity analysis of short-term financing bills, borrowings, corporate bonds and medium-term notes that shows the remaining contractual maturities is disclosed in Notes 37, 38, 42 and 43 respectively. Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The Group is exposed to liquidity risk as at 31 December 2014 as the Group had net current liabilities of approximately RMB10,941,836,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	19,311,708	–	5,390	–	19,317,098	19,317,098
Dividend payable	9,366	–	–	–	9,366	9,366
Short-term financing bills	6,537,220	–	–	–	6,537,220	6,220,000
Borrowings	16,157,242	3,866,920	4,008,298	590,434	24,622,894	20,856,036
Corporate bonds	135,000	2,578,041	–	–	2,713,041	2,495,162
Medium-term notes	2,045,917	3,749,876	1,795,093	–	7,590,886	6,257,222
	44,196,453	10,194,837	5,808,781	590,434	60,790,505	55,154,884
Derivative financial instruments						
– gross settlement						
Foreign currency forward contracts						
– inflow	(2,133,978)	–	–	–	(2,133,978)	(2,133,978)
– outflow	2,135,668	–	–	–	2,135,668	2,135,668
	1,690	–	–	–	1,690	1,690

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(e) Liquidity risk *(Continued)*

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
As at 31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	17,499,698	–	4,034	–	17,503,732	17,503,732
Dividend payable	8,117	–	–	–	8,117	8,117
Short-term financing bills	3,112,860	–	–	–	3,112,860	2,900,000
Borrowings	17,789,924	4,341,115	5,419,089	717,186	28,267,314	24,189,247
Corporate bonds	135,000	135,000	2,578,041	–	2,848,041	2,492,782
Medium-term notes	333,636	1,971,875	4,855,501	–	7,161,012	5,755,339
	38,879,235	6,447,990	12,856,665	717,186	58,901,076	52,849,217
Derivative financial instruments – gross settlement						
Foreign currency forward contracts						
– inflow	(2,210,089)	–	–	–	(2,210,089)	(2,210,089)
– outflow	2,188,920	–	–	–	2,188,920	2,188,920
	(21,169)	–	–	–	(21,169)	(21,169)

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

5. FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value measurements of financial instruments

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

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

Financial assets/financial liabilities	Fair value as at 31/12/2014 RMB'000	Fair value as at 31/12/2013 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets/liabilities at FVTPL				
Foreign currency forward contracts classified as derivative financial instruments	**Assets: Nil**	Assets: 21,169	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
	Liabilities: 1,690	Liabilities: Nil		
Financial liabilities at fair value				
Liabilities for cash-settled share-based payments	**–**	113	Level 2	Black-Scholes pricing model The key inputs are expected volatility (50%), risk-free rate (3.30% to 4.46%) and dividend yield (1%)
Listed available-for-sale financial assets	**2,984,388**	1,829,356	Level 1	Quoted bid prices in an active market

5. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Fair value hierarchy

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2014				
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**(1,690)**	**–**	**(1,690)**
Available-for-sales financial assets				
Listed equity securities	**2,984,388**	**–**	**–**	**2,984,388**
	2,984,388	**(1,690)**	**–**	**2,982,698**

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

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

There were no transfers between Level 1 and 2 during the year ended 31 December 2014 and 2013.

The non-current financial assets and non-current financial liabilities are approximate to their fair value.

6. CAPITAL RISK MANAGEMENT

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

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

The Group monitors its capital on the basis of the net debt ratio which is calculated as net debt divided by total equity. Net debt is calculated as the total amount of interest-bearing debts (including current and non-current borrowings, short-term financing bills, corporate bonds and medium-term notes as shown in the consolidated statement of financial position) less restricted bank balances and bank balances and cash. Based on the opinion of the Company's directors, the Group will focus on reducing short term debts and control the capital investment in lower level in order to to maintain the net debt ratio at a reasonable level in coming future.

The net debt ratios of the Group are as follows:

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Short-term financing bills *(Note 37)*	**6,220,000**	2,900,000
Borrowings *(Note 38)*	**20,856,036**	24,189,247
Corporate bonds *(Note 42)*	**2,495,162**	2,492,782
Medium-term notes *(Note 43)*	**6,257,222**	5,755,339
Less: Restricted bank balances *(Note 34)*	**(1,402,897)**	(1,379,963)
Bank balances and cash *(Note 35)*	**(10,108,923)**	(7,270,055)
Net debt	**24,316,600**	26,687,350
Total equity	**31,020,192**	28,168,157
Net debt ratio	**78.39%**	94.74%

The Group did not breach any loan covenants at the end of the reporting period.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the entity's accounting policies

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

(a) Going concern basis

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

(b) De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the amount of additional interests in the subsidiary required to be acquired by the Group so as to obtain the legal rights to direct the relevant activities (including financial and operating activities); (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (iii) the extent of reliance of the subsidiary on the financial and operational support from the Group; (iv) the extent of involvement of directors of the subsidiary nominated by the Group in its relevant activities (including financial and operating policies setting and decision making). In exercising the judgements, the directors of the Company considered that the Group had dominant voting interests to direct the relevant activities of subsidiaries with de facto control on the basis of the Group's absolute size of shareholding and the relevant size and dispersion of voting interests of other equity holders and other contractual arrangements. Further details of significant subsidiaries of the judgment are set out in Note 47(a)(i) and Note 53(a)(i) for details.

(c) Significant influence over associates

The Group's management exercises its critical judgment when determining whether the Group has significant influence over an entity by one or more of the following ways: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distribution; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information. Further details of the judgement are set out in Note 53(c).

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

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

(d) Joint arrangements

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

(e) Available-for-sale financial assets

The Group's management exercises its critical judgements when determining the classification of equity investments as available-for-sale financial assets. Further details of the judgement are set out in Note 29.

(f) Current and deferred income tax

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

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

(g) Ownership of the buildings

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty *(Continued)*

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

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

(b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. As at 31 December 2014, the carrying amount of property, plant and equipment is approximately RMB45,375,394,000 (net of accumulated impairment approximately RMB674,057,000 (31 December 2013: Carrying amount of approximately RMB45,210,186,000, net of accumulated impairment of approximately RMB391,413,000).

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

The Group follows the guidance of HKAS 39 Financial Instruments – Recognition and Measurement in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. As at 31 December 2014, the carrying amount of available-for-sale financial assets is approximately RMB3,572,045,000 (net of impairment loss of approximately RMB109,206,000) (31 December 2013: carrying amount of approximately RMB2,022,555,000, net of impairment loss of approximately RMB109,206,000).

(d) Allowance for inventories

During the year, the Group reversed the allowance of inventories of approximately RMB14,251,000 (2013: RMB12,205,000). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and usefulness of the inventories. As at 31 December 2014, the carrying amount of inventories is approximately RMB8,902,852,000 (net of accumulated allowance of inventories approximately of RMB444,849,000) (31 December 2013: carrying amount of approximately RMB8,773,280,000, net of accumulated allowance of inventories of approximately RMB306,642,000).

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

Key sources of estimation uncertainty *(Continued)*

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

The Group's management determines the provision for impairment of trade and other receivables with the accounting policy stated in Note 4. Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Management reassesses the adequacy of any such provision on a regular basis. As at 31 December 2014, the carrying amount of trade and other receivables is approximately RMB22,096,660,000 (net of impairment loss of approximately RMB 2,982,673,000) (31 December 2013: carrying amount of approximately RMB21,681,655,000, net of impairment loss of approximately RMB2,571,171,000).

(f) Impairment loss of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating unit's ("CGU") fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 25. As at 31 December 2014, the carrying value of goodwill is approximately RMB462,656,000 (net of accumulated impairment loss of approximately RMB323,744,000 (31 December 2013: carrying amount of approximately RMB533,684,000, net of accumulated impairment loss of approximately RMB252,716,000).

Further details of the Group's goodwill and the results of the review undertaken by management as at 31 December 2014 are set out in Notes 24 and 25 respectively.

(g) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires judgment of the management. Anticipated losses are fully provided on contracts when identified. Management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction and engineering businesses, the contract activity will usually last for a period over one year and therefore fall into different accounting periods. During the year ended 31 December 2014, foreseeable losses on construction contracts of approximately RMB61,921,000 (2013: RMB58,348,000) have been recognised.

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

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

Key sources of estimation uncertainty *(Continued)*

(h) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments. As at 31 December 2014 and 2013, no provision has been made in respect of litigations and claims.

(i) Provision for warranties

Provisions for the expected cost of warranty obligations under the sale contracts are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation. As at 31 December 2014, the carrying amount of provision for warranties is approximately RMB102,257,000 (2013: RMB81,520,000).

8. TURNOVER

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

	2014	2013
	RMB'000	*RMB'000*
Turnover comprises:		
– Cement equipment and engineering services	**23,806,356**	20,950,937
– Cement	**23,280,255**	24,414,246
– High-tech materials	**8,198,211**	6,716,133
	55,284,822	52,081,316

9. SEGMENT INFORMATION

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

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

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

(a) Segment revenues and results

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

For the year ended 31 December 2014

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	23,806,356	23,280,255	8,198,211	–	55,284,822
Inter-segment sales	1,299,288	38,297	371,904	(1,709,489)	–
Total	25,105,644	23,318,552	8,570,115	(1,709,489)	55,284,822
Segment results	505,918	3,223,147	558,596	(167,402)	4,120,259
Unallocated operating income and expenses					(32,871)
Interest income					121,657
Finance costs					(2,165,066)
Share of results of associates					74,393
Share of results of joint ventures					(84,696)
Profit before tax					2,033,676

9. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2013

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

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

Inter-segment sales are charged at prevailing market rates.

9. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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

Segment assets

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cement equipment and engineering services	**19,137,158**	19,440,424
Cement	**47,339,209**	47,455,025
High-tech materials	**17,933,434**	16,703,183
Total segment assets	**84,409,801**	83,598,632
Eliminations	**(1,922,555)**	(2,059,380)
Unallocated assets	**17,417,358**	12,972,781
Consolidated assets	**99,904,604**	94,512,033

Segment liabilities

	31/12/2014 RMB'000	31/12/2013 RMB'000
Cement equipment and engineering services	**19,093,910**	17,777,606
Cement	**11,963,447**	11,290,430
High-tech materials	**3,694,634**	4,040,682
Total segment liabilities	**34,751,991**	33,108,718
Eliminations	**(3,257,551)**	(3,277,776)
Unallocated liabilities	**37,389,972**	36,512,934
Consolidated liabilities	**68,884,412**	66,343,876

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

- all assets are allocated to operating segments other than deferred income tax assets and unallocated assets including interests in associates, interests in joint ventures, investment properties, available-for-sale financial assets, derivative financial instruments, restricted bank balances, bank balances and cash and certain unallocated head office assets; and

- all liabilities are allocated to operating segments other than income tax liabilities, deferred income tax liabilities and unallocated liabilities including derivative financial instruments, short-term financing bills, borrowings, corporate bonds, medium-term notes, dividend payable and certain unallocated head office liabilities.

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 December 2014

	Cement equipment and engineering services *RMB'000*	Cement *RMB'000*	High-tech materials *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	282,548	2,220,445	908,212	984	3,412,189
Amortisation	30,673	102,621	58,188	163	191,645
Impairment loss recognised in respect of:					
– property, plant and equipment	21,439	175,530	85,675	–	282,644
– intangible assets	–	41,042	36,616	–	77,658
– trade receivables	217,943	17,321	14,564	–	249,828
– prepayments to suppliers and subcontractors and other receivables	189,731	12,753	10,249	–	212,733
– loan receivables	1,473	6,531	3,386	–	11,390
Allowance for inventories	27,157	75,313	49,988	–	152,458
Reversal of allowance for inventories	–	–	(14,251)	–	(14,251)
Reversal of impairment of other receivables	–	–	(13,447)	–	(13,447)
Net (gain) loss on disposals of property, plant and equipment	9,256	3,523	(2,389)	–	10,390
Net gain on disposal of prepaid lease payments	–	(259,118)	–	–	(259,118)
Waiver of other payables	(4,980)	(5,312)	(1,065)	–	(11,357)
Government grants	(21,314)	(151,715)	(146,447)	–	(319,476)
Foreseeable losses on construction contracts	61,921	–	–	–	61,921
Additions to non-current assets *(Note)*	352,575	3,209,105	1,432,356	2,685	4,996,721
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets:					
Interest income	(56,487)	(32,961)	(30,069)	(2,140)	(121,657)
Finance costs	298,970	1,259,376	399,469	207,251	2,165,066
Share of results of associates	–	(61,346)	(1,079)	(11,968)	(74,393)
Share of results of joint ventures	–	–	84,696	–	84,696
Income tax expense	238,156	400,008	79,882	–	718,046
Interests in associates	165,390	1,576	27,785	658,460	853,211
Interests in joint ventures	–	–	49,542	–	49,542

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 December 2013

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

9. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

Note: Non-current assets exclude trade and other receivables, available-for-sale assets and deferred income tax assets. Additions to non-current assets for the year ended 31 December 2013 resulting from acquisitions through business combinations other than common control amounted to RMB1,360,283,000.

(d) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2014	2013	**31/12/2014**	31/12/2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**36,574,186**	38,703,102	**52,000,604**	51,660,118
Middle East	**3,172,693**	2,523,728	**22,351**	24,245
Africa	**6,654,982**	4,459,693	**8,184**	7,838
Other Asian countries	**4,809,124**	3,725,887	**1,103**	1,021
Europe	**1,953,503**	1,035,380	**–**	–
America	**1,711,225**	1,343,221	**–**	–
Others	**409,109**	290,305	**–**	–
	55,284,822	52,081,316	**52,032,242**	51,693,222

Non-current assets exclude trade and other receivables, available-for-sale financial assets and deferred income tax assets.

(e) Information about major customers

During the two years ended 31 December 2014 and 2013, no revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue.

10. INTEREST INCOME

	2014 *RMB'000*	2013 *RMB'000*
Interest income on bank deposits	**117,370**	134,452
Interest income on loan receivables	**4,287**	4,796
Total interest income	**121,657**	139,248

11. OTHER GAINS

	2014 *RMB'000*	2013 *RMB'000*
Gain on debts restructuring *(Note a)*	**8,526**	44,250
Net gain on disposals of property, plant and equipment	**–**	25,810
Net gain on disposals of prepaid lease payments	**259,118**	–
Gain on disposals of available-for-sale financial assets	**229**	2,362
Gain on disposal of interest rate swap	**1,800**	–
Gain on disposal of intangible assets	**328**	–
Net gain on disposal of an associate *(Note 27)*	**–**	26,024
Exchange gain on realisation of foreign currency forward contracts	**8,957**	14,700
Dividend income on available-for-sale financial assets *(Note b)*	**25,006**	23,883
Income from sales of scrap materials	**1,672**	1,055
Change in fair values of foreign currency forward contracts	**–**	4,895
Penalty income *(Note c)*	**9,886**	8,627
Rental income *(Note d)*	**36,876**	33,093
Reversal of provision for litigation *(Note 41)*	**–**	27,780
Reversal of impairment loss of other receivables *(Note 32(g))*	**13,447**	25,000
Waiver of other payables	**11,357**	9,818
Value-added tax refunds *(Note e)*	**679,167**	606,245
Government grants		
– utilisation/amortisation of deferred income for the year *(Note 44)*	**206,629**	212,814
– grants related to expenses recognised as other gains *(Note f)*	**112,847**	314,334
Others	**1,561**	11,145
	1,377,406	1,391,835

11. OTHER GAINS *(Continued)*

Notes:

(a) During the year, certain subsidiaries of the Company had settled certain bank borrowings and trade and other payables at a discount of approximately RMB8,526,000 (2013: RMB44,250,000).

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

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

(d) Rental income:

	2014 **RMB'000**	2013 RMB'000
Gross rental income from investment properties	**36,876**	33,093
Less: Direct operating expenses that generated rental income (included in administrative expenses)	**(24,512)**	(10,081)
Net rental income from investment properties	**12,364**	23,012

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

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

12. EXCHANGE LOSS

	2014 **RMB'000**	2013 RMB'000
Net exchange loss	**(44,125)**	(82,078)
Less: Net foreign exchange loss (gain) on bank borrowings *(Note 14)*	**1,242**	(3,185)
Exchange loss arising from the operating activities	**(42,883)**	(85,263)

13. OTHER EXPENSES

	2014 RMB'000	2013 RMB'000
Penalty	20,726	31,883
Donations	3,045	10,527
Change in fair values of foreign currency forward contracts	5,204	–
Net loss on disposals of property, plant and equipment	10,390	–
Others	54,090	10,907
	93,455	53,317

14. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expenses		
– Bank borrowings wholly repayable within 5 years	1,426,544	1,443,023
– Bank borrowings not wholly repayable within 5 years*	14,515	27,832
– Corporate bonds not wholly repayable within 5 years*	137,683	137,543
– Medium-term notes wholly repayable within 5 years	490,538	323,733
– Short-term financing bills wholly repayable within 5 years	162,267	98,034
– Other borrowings	15,614	42,682
	2,247,161	2,072,847
Less: Amounts capitalised as construction in progress *(Note)*	(100,804)	(127,083)
	2,146,357	1,945,764
Net foreign exchange loss (gain) on bank borrowings *(Note 12)*	1,242	(3,185)
Discount charges on bank acceptance notes	17,467	19,367
Total finance costs	2,165,066	1,961,946

Note: Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.47% (2013: 6.52%) per annum to expenditure on qualifying assets.

* Corporate bonds and medium-terms notes are calculated under the effective interest rate of 5.52% and 7.84% respectively.

15. INCOME TAX EXPENSE

The Group has no operations in Hong Kong and is therefore not subject to Hong Kong profits tax for both years.

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2013: 25%) on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries and joint ventures which were taxed at preferential rate of 15% (2013: 15%).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	2014 ***RMB'000***	2013 *RMB'000*
Current income tax:		
– PRC enterprise income tax	**835,941**	892,116
– Overseas taxation	**2,158**	3,058
– Under provision in previous years	**1,977**	1,076
	840,076	896,250
Deferred income tax *(Note 45)*		
– Other deferred income tax	**(122,030)**	(152,818)
	718,046	743,432

15. INCOME TAX EXPENSE *(Continued)*

The difference between the actual income tax expense in the consolidated statement of profit or loss and the amounts which is calculated based on the statutory tax rate of 25% (2013: 25%) is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Profit before tax	**2,033,676**	2,208,843
Less: Share of results of associates	**(74,393)**	(66,353)
Less: Share of results of joint ventures	**84,696**	27,269
	2,043,979	2,169,759
Tax calculated at the statutory tax rate of 25% (2013: 25%)	**510,995**	542,440
Tax effect of income not taxable for tax purpose	**(32,961)**	(38,245)
Tax effect of expenses not deductible for tax purpose	**280,021**	309,187
Tax effect of tax losses not recognised	**52,077**	54,054
Utilisation of tax losses previously not recognised	**(6,102)**	(4,774)
Additional deduction arising from research and development expenditure	**(3,095)**	(3,780)
Effect of differences in tax rates applicable to certain domestic subsidiaries	**(83,472)**	(114,069)
Additional deduction arising from equipment produced in the PRC	**(1,394)**	(2,457)
Under provision in previous years	**1,977**	1,076
Income tax expense	**718,046**	743,432

Details of deferred taxation are shown in Note 45.

16. PROFIT FOR THE YEAR

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

	2014 RMB'000	2013 RMB'000
Cost of inventories recognised as expenses	**29,421,765**	27,765,664
Auditor's remuneration	**10,000**	9,500
Employee benefit expense (including directors', supervisors', chief executive's and senior management's emoluments) *(Note 17)*	**3,943,085**	3,001,392
Depreciation and amortisation:		
– property, plant and equipment	**3,388,251**	3,092,117
– prepaid lease payments	**86,855**	86,439
– investment properties	**23,938**	11,987
– intangible assets	**51,551**	39,340
– mining rights	**53,239**	49,673
Operating lease rentals	**93,489**	90,545
Share of income tax expenses:		
– associates	**18,490**	17,307
– joint ventures	**15**	199
Research and development costs	**912,732**	873,912
Safety fund set aside	**161,584**	137,510
Provision for warranties *(Note 41)* (included in cost of sales)	**52,926**	38,331
Foreseeable losses on construction contracts (included in cost of sales)	**61,921**	58,348
Loss on deemded disposal of an associate *(Note 27)*	**–**	29,480
Impairment loss recognised in respect of:		
– trade receivables (included in administrative expenses)	**249,828**	743,363
– prepayments to suppliers and subcontractors and other receivables (included in administrative expenses)	**212,733**	320,088
– loan receivables (included in administrative expenses)	**11,390**	8,513
– property, plant and equipment (included in cost of sales and administrative expenses)	**282,644**	240,126
– intangible assets (included in administrative expenses)	**77,658**	139,013
– available-for-sale financial assets (included in administrative expenses)	**–**	5,330
Allowance for inventories (included in cost of sales)	**152,458**	147,997
Reversal of allowance for inventories (included in cost of sales)	**(14,251)**	(12,205)

17. EMPLOYEE BENEFITS

	2014 *RMB'000*	2013 *RMB'000*
Salaries, wages and bonuses	**2,644,746**	2,155,431
Contributions to pension plans *(Note a)*	**474,507**	328,998
Early retirement and supplemental pension benefits *(Note 39 and Note b)*	**38,093**	20,104
Housing funds *(Note c)*	**101,463**	88,366
Cash-settled share-based payments *(Note 40)*	**(113)**	(871)
Welfare, medical and other expenses	**684,389**	409,364
	3,943,085	3,001,392

Notes:

(a) During the two years ended 31 December 2014 and 2013, the employees of the Company and the subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial governments in the PRC to which the Group is required to make monthly contributions at rates ranging from 18% to 23%, depending on the applicable local regulations, of the employees' basic salary for the previous year.

(b) Certain employees of the Group were directed to early retire in previous years. Early retirement benefits are recognised in the consolidated statement of profit or loss in the period in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplemental pension subsidies or pension contributions to certain employees who retired prior to 31 December 2006. The costs of providing these pension subsidies and pension contributions are charged to the consolidated statement of profit or loss so as to spread the service costs over the average service lives of the retirees. Employees who retire after 31 December 2006 are not entitled to such supplemental pension subsidies or pension contributions.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 6% to 12% of the employees basic salary of the previous year) in the PRC for both years.

18. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors', supervisors' and chief executive's emoluments

	2014 **RMB'000**	2013 RMB'000
Directors, supervisors and the chief executive		
– Fee for directors, supervisors and the chief executive	**795**	915
– Basic salaries, housing allowances and other allowances	**1,147**	1,252
– Contributions to pension plans	**120**	110
– Discretionary bonuses	**506**	96
– Cash-settled share-based payments	**(27)**	(36)
	2,541	2,337

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

(a) Directors', supervisors' and chief executive's emoluments *(Continued)*

(i) The emoluments of every director, supervisor and the chief executive for the year ended 31 December 2014 were set out below:

Name	Fee for directors, supervisors and the chief executive *RMB'000*	Basic salaries, housing allowances and other allowances *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Cash-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Liu Zhijang	–	–	–	–	(9)	(9)
– Mr. Peng Jianxin *(Note a)*	–	492	40	410	–	942
Non-executive directors						
– Mr. Li Xinhua *(Note b)*	–	–	–	–	(9)	(9)
– Mr. Yu Shiliang	–	–	–	–	(9)	(9)
– Mr. Zhang Hai *(Note c)*	–	–	–	–	–	–
– Mr. Tang Baoqi	60	–	–	–	–	60
– Mr. Li Jianlun	–	–	–	–	–	–
– Mr. Yu Guobo	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Lu Zhengfei	180	–	–	–	–	180
– Mr. Wang Shimin	180	–	–	–	–	180
– Mr. Zhou Zude	180	–	–	–	–	180
Supervisors						
– Ms. Xu Weibing	–	–	–	–	–	–
– Mr. Wang Jianguo	15	–	–	–	–	15
– Mr. Zhang Renjie *(Note d)*	–	–	–	–	–	–
– Mr. Qu Xiaoli	–	280	40	48	–	368
– Mr. Wang Yingcai	–	375	40	48	–	463
	795	1,147	120	506	(27)	2,541

Notes:

a. Appointed as non-executive director on 21 October 2014, Peng Jianxin has then re-designated from non-executive director to executive director on the same day. Peng Jianxin is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

b. Re-designated from executive director to non-executive director on 21 October 2014 and resigned from chief executive on the same date.

c. Ceased to be a non-executive director on 21 October 2014.

d. Waived emoluments amounted to RMB15,000 for the year ended 31 December 2014.

e. In addition to the directors' emoluments disclosed above, certain directors and supervisors of the Company received emoluments from Sinoma Group in aggregate of approximately RMB2,968,682 and RMB553,620 respectively for the year ended 31 December 2014.

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

(a) Directors', supervisors' and chief executive's emoluments *(Continued)*

(ii) The emoluments of every director, supervisor and the chief executive for the year ended 31 December 2013 were set out below:

Name	Fee for directors, supervisors and the chief executive *RMB'000*	Basic salaries, housing allowances and other allowances *RMB'000*	Contributions to pension plans *RMB'000*	Discretionary bonuses *RMB'000*	Cash-settled share-based payments *RMB'000*	Total *RMB'000*
Executive directors						
– Mr. Liu Zhijang *(Note a)*	–	–	–	–	(12)	(12)
– Mr. Li Xinhua	–	–	–	–	(12)	(12)
Non-executive directors						
– Mr. Yu Shiliang *(Note b)*	–	–	–	–	(12)	(12)
– Mr. Zhang Hai	–	–	–	–	–	–
– Mr. Tang Baoqi	60	–	–	–	–	60
– Mr. Li Jianlun *(Note c)*	–	–	–	–	–	–
– Mr. Yu Guobo *(Note c)*	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Leung Chong Shun	180	–	–	–	–	180
– Mr. Shi Chungui *(Note d)*	105	–	–	–	–	105
– Mr. Lu Zhengfei	180	–	–	–	–	180
– Mr. Wang Shimin	180	–	–	–	–	180
– Mr. Zhou Zude	180	–	–	–	–	180
Supervisors						
– Ms. Xu Weibing	–	–	–	–	–	–
– Mr. Wang Jianguo	15	–	–	–	–	15
– Mr. Yu Xingmin *(Note e)*	–	621	36	–	–	657
– Mr. Zhang Renjie	15	–	–	–	–	15
– Mr. Qu Xiaoli	–	264	37	48	–	349
– Mr. Wang Yingcai *(Note f)*	–	367	37	48	–	452
	915	1,252	110	96	(36)	2,337

Notes:

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

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

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

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

e. Resigned from supervisor on 30 July 2013.

f. Appointed as Supervisor on 30 July 2013.

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

h. Li Xinhua is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

(a) Directors', supervisors' and chief executive's emoluments *(Continued)*

(iii) During the year ended 31 December 2014, one supervisor waived emoluments of RMB15,000. Neither the chief executive, supervisors nor any of the directors waived any emoluments in the year ended 31 December 2013. The Group did not make any payment to any of the directors or supervisors or the chief executive as incentive upon their joining the Group or as compensation for the loss of their offices.

The discretionary bonuses of directors, supervisors and the chief executive for the two years ended 31 December 2014 and 2013 is determined by the remuneration committee and having regard to the performance of individuals and market trends.

(b) Five highest paid individuals

(i) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include no directors, supervisors or chief executive (2013: one supervisor) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2013: remaining four) individuals during the year are as follows:

	2014	2013
	RMB'000	*RMB'000*
Basic salaries, housing allowances and other allowances	**2,323**	2,876
Contributions to pension plans	**198**	146
Discretionary bonuses	**3,271**	660
	5,792	3,682

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

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

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

	2014	2013
HK$1 to HK$1,000,000 (2014: equivalent to RMB1 to RMB792,500 and 2013: equivalent to RMB1 to RMB797,889)	–	3
HK$1,000,001 to HK$1,500,000 (2014: equivalent to RMB792,501 to RMB1,188,750 and 2013: equivalent to RMB797,890 to RMB1,196,834)	4	–
HK$1,500,001 to HK$2,000,000 (2014: equivalent to RMB1,188,751 to RMB1,585,000 and 2013: equivalent to RMB1,196,851 to RMB1,595,800)	1	–
HK$2,000,001 to HK$2,500,000 (2014: equivalent to RMB1,585,001 to RMB1,981,250 and 2013: equivalent to RMB1,595,801 to RMB1,994,750)	–	1
	5	4

(iii) During the two years ended 31 December 2014 and 2013, no individuals of the Company agreed to waive or waived any emoluments and no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

19. DIVIDENDS

	2014 *RMB'000*	2013 *RMB'000*
Dividends paid and recognised as distribution during the year:		
– 2013 final dividend: RMB0.02 (2013: 2012 final dividend RMB0.03) per share	71,429	107,144

The 2014 final dividend of RMB0.03 (2013: RMB0.02) per share (tax inclusive) has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting.

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 December 2014 and 2013.

	2014	2013
Profit for the year attributable to owners of the Company (RMB'000)	**507,156**	397,512
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,571,464
Basic earnings per share (RMB)	**0.142**	0.111

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2014 and 2013.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	14,880,625	18,630,402	1,162,351	744,089	5,868,579	41,286,046
Additions	2,685,767	3,426,210	318,953	172,531	176,193	6,779,654
Attributable to acquisition of subsidiaries	500,836	565,245	36,623	12,715	9,573	1,124,992
Disposals	(216,797)	(222,700)	(140,865)	(67,901)	–	(648,263)
Reclassification upon completion	1,597,851	1,569,427	51,234	3,094	(3,221,606)	–
Depreciation charged for the year	(748,517)	(1,926,432)	(241,805)	(175,363)	–	(3,092,117)
Impairment loss recognised in the consolidated statement of profit or loss	(134,423)	(87,366)	(3,440)	(14,897)	–	(240,126)
At 31 December 2013 and 1 January 2014	**18,565,342**	**21,954,786**	**1,183,051**	**674,268**	**2,832,739**	**45,210,186**
Additions	**473,796**	**235,696**	**90,828**	**142,245**	**3,603,483**	**4,546,048**
Disposals	**(250,655)**	**(244,425)**	**(99,067)**	**(115,798)**	**–**	**(709,945)**
Reclassification upon completion	**1,935,217**	**1,784,442**	**4,173**	**22,136**	**(3,745,968)**	**–**
Depreciation charged for the year	**(797,055)**	**(2,106,284)**	**(284,218)**	**(200,694)**	**–**	**(3,388,251)**
Impairment loss recognised in the consolidated statement of profit or loss	**(120,828)**	**(148,780)**	**(4,994)**	**(2,140)**	**(5,902)**	**(282,644)**
At 31 December 2014	**19,805,817**	**21,475,435**	**889,773**	**520,017**	**2,684,352**	**45,375,394**
At 31 December 2014						
Cost	**23,234,481**	**31,433,697**	**1,668,456**	**1,278,301**	**2,706,793**	**60,331,728**
Accumulated depreciation	**(3,076,540)**	**(9,699,313)**	**(761,175)**	**(728,710)**	**(16,539)**	**(14,282,277)**
Accumulated impairment loss	**(352,124)**	**(268,949)**	**(17,508)**	**(29,574)**	**(5,902)**	**(674,057)**
Carrying values	**19,805,817**	**21,475,435**	**889,773**	**520,017**	**2,684,352**	**45,375,394**
At 31 December 2013						
Cost	21,106,123	29,747,984	1,712,522	1,329,718	2,849,278	56,745,625
Accumulated depreciation	(2,309,485)	(7,673,029)	(516,957)	(628,016)	(16,539)	(11,144,026)
Accumulated impairment loss	(231,296)	(120,169)	(12,514)	(27,434)	–	(391,413)
Carrying values	18,565,342	21,954,786	1,183,051	674,268	2,832,739	45,210,186

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

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

	2014	2013
	RMB'000	*RMB'000*
Cost of sales	**3,009,277**	2,696,132
Selling and marketing expenses	**89,336**	62,988
Administrative expenses	**289,638**	332,997
	3,388,251	3,092,117

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

(c) As at 31 December 2014, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB2,069,526,000 (2013: RMB1,079,590,000) (Note 38).

(d) During the year, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to an adverse operation environment, physical damage and technical obsolescence. Accordingly, impairment loss of approximately RMB282,644,000 (2013: RMB240,126,000) has been recognised for those assets, which are used in the cement segment and high-tech materials segment. The recoverable amounts of the relevant assets were RMB134,835,000 (2013: RMB119,651,000) have been determined on the basis of their values in use by adopting discount rate ranged from 6.19% to 11.21% (2013: ranged from 6.23% to 11.24%).

(e) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5% to 5%
Plant and machinery	6.67% to 20%
Motor vehicles	10% to 20%
Furniture, office and other equipment	10% to 20%

(f) At 31 December 2014, the Group has not obtained the formal ownership certificates for certain properties including in the buildings above, the carrying values of which at that date were approximately RMB255,479,000 (2013: RMB222,917,000). In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

22. PREPAID LEASE PAYMENTS

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Cost	**4,666,369**	4,506,258
Accumulated amortisation	**(604,102)**	(521,247)
Carrying values	**4,062,267**	3,985,011
Analysed for reporting purposes as:		
Current asset	**135,871**	131,052
Non-current asset	**3,926,396**	3,853,959
	4,062,267	3,985,011

(a) Prepaid lease payments represent the Group's interests in land which are held under medium-term leases between 30 to 50 years, all located in the PRC.

(b) Amortisation of prepaid lease payments for the year of RMB86,855,000 (2013: RMB86,438,000) has been charged to the cost of sales.

(c) As at 31 December 2014, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB144,581,000 (2013: RMB49,330,000) (Note 38).

23. INVESTMENT PROPERTIES

	2014 *RMB'000*	2013 *RMB'000*
At 1 January		
Cost	**247,091**	232,415
Accumulated depreciation	**(71,087)**	(59,100)
Carrying values	**176,004**	173,315
At 1 January	**176,004**	173,315
Additions	**91,706**	14,676
Depreciation charged for the year	**(23,938)**	(11,987)
At 31 December	**243,772**	176,004
At 31 December		
Cost	**338,797**	247,091
Accumulated depreciation	**(95,025)**	(71,087)
Carrying values	**243,772**	176,004
Fair values at 31 December *(Note b)*	**1,063,288**	732,907

(a) The investment properties are situated on pieces of land which are held under medium term leases of which are located in the PRC.

(b) The fair values of investment properties as at 31 December 2014 and 2013 have been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, an independent qualified valuer not connected with the Group. The valuation was determined by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood are assessed and discounted at the market yield expected by investors for this type of properties based on income approach. There has been no change from the valuation technique used in prior year. One of the key inputs used in valuing the investment properties was the discount rates used. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties, which ranged from 4.00% to 7.00% (2013: 3.50% 7.00%). A slightly decreased in the discount rate used would result in a significant increase in fair value measurement of the investment properties, and vice versa.

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

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

23. INVESTMENT PROPERTIES *(Continued)*

(e) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Fair value	
	As at 31/12/2014	As at 31/12/2013
	RMB'000	*RMB'000*
Commercial properties units located in PRC under level 3 hierarchy	1,063,288	732,907

(f) There were no transfers between levels of fair value hierarchy during the year.

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

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

	2014	2013
	RMB'000	*RMB'000*
Rental income recorded as other gains	**36,876**	33,093
Depreciation recorded as administrative expenses	**23,938**	11,987

24. INTANGIBLE ASSETS

	Goodwill	Patent and proprietary technologies	Customer relationships	Trademarks	Computer software and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	561,612	96,829	–	46,436	33,494	738,371
Additions	–	15,470	–	16,000	18,714	50,184
Attributable to acquisition of subsidiaries	101,368	–	7,832	–	2,442	111,642
Amortisation charged for the year	–	(16,369)	(1,468)	(12,905)	(8,598)	(39,340)
Impairment loss recognised in the consolidated statement of profit or loss	(129,296)	(9,717)	–	–	–	(139,013)
At 31 December 2013	533,684	86,213	6,364	49,531	46,052	721,844
At 1 January 2014	**533,684**	**86,213**	**6,364**	**49,531**	**46,052**	**721,844**
Additions	**–**	**32,346**	**–**	**–**	**31,934**	**64,280**
Disposals	**–**	**–**	**–**	**–**	**(4,983)**	**(4,983)**
Amortisation charged for the year	**–**	**(24,868)**	**(1,566)**	**(11,378)**	**(13,739)**	**(51,551)**
Impairment loss recognised in the consolidated statement of profit or loss	**(71,028)**	**(6,630)**	**–**	**–**	**–**	**(77,658)**
At 31 December 2014	**462,656**	**87,061**	**4,798**	**38,153**	**59,264**	**651,932**
At 31 December 2014						
Cost	**786,400**	**227,744**	**40,169**	**86,607**	**142,645**	**1,283,565**
Accumulated amortisation	**–**	**(122,758)**	**(35,371)**	**(48,454)**	**(83,381)**	**(289,964)**
Accumulated impairment loss	**(323,744)**	**(17,925)**	**–**	**–**	**–**	**(341,669)**
Carrying values	**462,656**	**87,061**	**4,798**	**38,153**	**59,264**	**651,932**
At 31 December 2013						
Cost	786,400	195,398	40,169	86,607	115,694	1,224,268
Accumulated amortisation	–	(97,890)	(33,805)	(37,076)	(69,642)	(238,413)
Accumulated impairment loss	(252,716)	(11,295)	–	–	–	(264,011)
Carrying values	533,684	86,213	6,364	49,531	46,052	721,844

24. INTANGIBLE ASSETS *(Continued)*

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

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

(c) During the year, the directors of the Company conducted a review of the Group's intangible assets other than goodwill and determined that certain proprietary technologies were impaired, due to an adverse operation environment. Accordingly, impairment loss of approximately RMB6,630,000 (2013:RMB9,717,000) has been recognised for that assets, which are used in the high-tech materials segment. The recoverable amounts of the relevant assets of RMB14,397,000 (2013: RMB20,098,000) have been determined on the basis of their values in use using a discount rate of 7.24% (2013: 6.98%).

(d) The above items of intangible assets are amortised on a straight-line basis at the following rates per annum:

Patent and proprietary technologies	10% to 33.33%
Customer relationships	20% to 33.33%
Trademarks	5% to 10%
Computer software and others	20% to 33.33%

25. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 24 have been allocated to eleven individual CGUs. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2014 allocated to these units are as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
High-tech materials segment – Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite")	**22,868**	22,868
Cement segment – Yixing Tianshan Cement Co. Ltd. ("Yixing Tianshan")	**22,718**	22,718
Cement segment – Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement")	**2,852**	2,852
Cement segment – Gansu Qilianshan Building Materials Holdings Company Limited ("Qilianshan Holdings")	**346,948**	357,693
Cement segment – Tianshui China Concrete Engineering Co. Ltd. ("Tianshui China")	**1,002**	1,002
Cement segment – Xinjiang Wujie Building Materials Testing Co. Ltd. ("Xinjiang Wujie")	**699**	699
Cement segment – Xiahe Anduo Cement Co. Ltd. ("Xiahe Anduo")	**24,484**	24,484
Cement segment – Gansu Zhangye Julong Building Materials Co., Ltd. ("Zhangye Julong")	**26,014**	26,014
Cement equipment and engineering services segment – LNV Technology Private Limited ("LNV Technology")	**–**	57,765
Cement segment – Wuhai City Xishui Cement Company Limited ("Wuhai Xishui")	**–**	2,518
Cement segment – Longnan Runji Cement Company Limited ("Runji Cement")	**15,071**	15,071
Cement segment – Gansu Gulangxia Cement Co., Ltd. ("Gansu Gulangxia")	**–**	–
Cement segment – Pingluo Golden Greatwall Concrete Co., Ltd ("Pingluo Golden")	**–**	–
Cement segment – Ningxia Yuhao Concrete Co., Ltd. ("Ningxia Yuhao")	**–**	–
	462,656	533,684

During the year ended 31 December 2014, impairment loss of approximately RMB71,028,000 has been recognised in respect of the goodwill arising from Qilianshan Holdings, LNV Technology and Wuhai Xishui since the future performance is expected to be less optimistic.

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

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

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

Taishan Composite

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Taishan Composite Group's management covering a five-year period, and discount rate of 10.97% (2013: 9.63%) that reflects current market assessment of the time value of money and the risks specific to this unit. Taishan Composite Group's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 23.06% (2013: 17.28%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite Group to exceed the aggregate recoverable amount of Taishan Composite Group.

Yixing Tianshan

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Yixing Tianshan's management covering a five-year period, and discount rate of 12.71% (2013: 12.81%) that reflects current market assessment of the time value of money and the risks specific to this unit. Yixing Tianshan's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 13.23% to 16.71% (2013: 11.72% to 13.83%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Yixing Tianshan believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Yixing Tianshan to exceed the aggregate recoverable amount of Yixing Tianshan.

Tianshan Cement

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshan Cement Group's management covering a five-year period, and discount rate of 8.83% (2013: 8.40%) that reflects current market assessment of the time value of money and the risks specific to this unit. Tianshan Cement Group's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 23.08% (2013: 21.93%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshan Cement Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshan Cement Group to exceed the aggregate recoverable amount of Tianshan Cement Group.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Qilianshan Holdings

The recoverable amount of the CGU amounted to approximately RMB7,043,230,000, and has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Qilianshan Holdings's management covering a five-year period, and discount rate of 10.81% (2013: 8.40%) that reflects current market assessment of the time value of money and the risks specific to this unit. Qilianshan Holdings's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.23% to 23.61% (2013: 23.30% to 29.30%). Such estimation is based on the unit's past performance and management's expectations for the market development.

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

Tianshui China

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshui China's management covering a five-year period, and discount rate of 9.14% (2013: 10.48%) that reflects current market assessment of the time value of money and the risks specific to this unit. Tianshui China's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 29.41% to 32.08% (2013: 27.63% to 30.24%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshui China believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshui China to exceed the aggregate recoverable amount of Tianshui China.

Xinjiang Wujie

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Xinjiang Wujie's management covering a five-year period, and discount rate of 12.10% (2013: 18.00%) that reflects current market assessment of the time value of money and the risks specific to this unit. Xinjiang Wujie's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 58.00% (2013: 73.80%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Xinjiang Wujie believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Xinjiang Wujie to exceed the aggregate recoverable amount of Xinjiang Wujie.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Xiahe Anduo

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Xiahe Anduo's management covering a five-year period, and discount rate of 11.13% (2013: 11.24%) that reflects current market assessment of the time value of money and the risks specific to this unit. Xiahe Anduo's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 20.94% to 23.46% (2013: 21.38% to 30.00%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Xiahe Anduo believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Xiahe Anduo to exceed the aggregate recoverable amount of Xiahe Anduo.

Zhangye Julong

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Zhangye Julong's management covering a five-year period, and discount rate of 11.08% (2013: 12.70%) that reflects current market assessment of the time value of money and the risks specific to this unit. Zhangye Julong's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 15.56% (2013: 13.80%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Zhangye Julong believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Zhangye Julong to exceed the aggregate recoverable amount of Zhangye Julong.

LNV Technology

The recoverable amount of the CGU amounted to approximately RMB119,990,000, and has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by LNV Technology's management covering a five-year period, and discount rate of 22.91% (2013: 19.68%) that reflects current market assessment of the time value of money and the risks specific to this unit. LNV Technology's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 35.89% (2013: 30.00%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of LNV Technology believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of LNV Technology to exceed the aggregate recoverable amount of LNV Technology.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Wuhai Xishui

The recoverable amount of the CGU amounted to approximately RMB431,250,000, and has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Wuhai Xishui's management covering a five-year period, and discount rate of 6.46% (2013: 8.52%) that reflects current market assessment of the time value of money and the risks specific to this unit. Wuhai Xishui's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 9.17% (2013: 12.84%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Wuhai Xishui believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Wuhai Xishui to exceed the aggregate recoverable amount of Wuhai Xishui.

Runji Cement

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Runji Cement's management covering a five-year period, and discount rate of 10.78% (2013: 11.28%) that reflects current market assessment of the time value of money and the risks specific to this unit. Runji Cement's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 22.07% (2013: 18.47%). Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Runji Cement believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Runji Cement to exceed the aggregate recoverable amount of Runji Cement.

Gansu Gulangxia

As at 31 December 2013, the recoverable amount of the CGU amounted to approximately RMB12,804,000, and has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Gansu Gulangxia's management covering a five-year period, and discount rate of 12.24% that reflects current market assessment of the time value of money and the risks specific to this unit. Gansu Gulangxia's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 5.73% to 7.30%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Gansu Gulangxia believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Gansu Gulangxia to exceed the aggregate recoverable amount of Gansu Gulangxia.

25. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

Pingluo Golden

As at 31 December 2013, the recoverable amount of the CGU amounted to approximately RMB52,871,000, and has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Pingluo Golden's management covering a five-year period, and discount rate of 7.23% that reflects current market assessment of the time value of money and the risks specific to this unit. Pingluo Golden's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 13.40%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Pingluo Golden believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Pingluo Golden to exceed the aggregate recoverable amount of Pingluo Golden.

Ningxia Yuhao

As at 31 December 2013, the recoverable amount of approximately RMB10,187,000 this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Ningxia Yuhao's management covering a five-year period, and discount rate of 6.23% that reflects current market assessment of the time value of money and the risks specific to this unit. Ningxia Yuhao's cash flows beyond the five-year period are assumed constant with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, and gross profit margin of 23.00%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Ningxia Yuhao believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Ningxia Yuhao to exceed the aggregate recoverable amount of Ningxia Yuhao.

26. MINING RIGHTS

	2014 *RMB'000*	2013 *RMB'000*
At 1 January		
Cost	705,381	625,850
Accumulated amortisation	(192,436)	(142,763)
Carrying values	512,945	483,087
At 1 January	512,945	483,087
Additions	103,248	50,700
Attributable to acquisition of subsidiaries	–	28,831
Amortisation charged for the year	(53,239)	(49,673)
At 31 December	562,954	512,945
At 31 December		
Cost	808,629	705,381
Accumulated amortisation	(245,675)	(192,436)
Carrying values	562,954	512,945

Mining rights are amortised over its concession period from 3 years to 30 years. Amortisation of mining rights has been charged to cost of sales.

27. INTERESTS IN ASSOCIATES

	31/12/2014 **RMB'000**	31/12/2013 RMB'000
Cost of investment in associates		
Unlisted	**656,619**	656,619
Share of post-acquisition profits and other comprehensive income, net of dividend received	**196,592**	207,099
	853,211	863,718

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

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

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

On 21 June 2013, the Group acquired additional 55% equity interest in Wuhai Xishui as transaction details stated in Note 47 (a) (iii). After the completion of transaction, the Group's interest in Wuhai Xishui was increased to 100%. The carrying amount and fair value of the 45% equity interests at the transaction date are approximately RMB218,170,000 and RMB188,690,000 respectively. A loss on deemed disposal of interests in associate approximately RMB29,480,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013. Details of the associates are disclosed in Note 53(c)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in associates is set out below:

	31/12/2014 **RMB'000**	31/12/2013 RMB'000
The Group's share of profit (net of dividend received)	**74,393**	66,353
The Group's share of total comprehensive income	**74,393**	66,353
Aggregate carrying amount of the Group's interest in associates	**853,211**	863,718

27. INTERESTS IN ASSOCIATES *(Continued)*

Material associate

Summarised audited financial information in respect of the Group's material associate is set out below:

Jiugang (Group) Hongda Building Materials Co., Ltd

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Current assets	**360,369**	428,015
Non-current assets	**778,348**	846,526
Current liabilities	**(133,404)**	(208,114)
Non-current liabilities	**–**	(12,226)
Net assets	**1,005,313**	1,054,201
Group's share of net assets of associate	**603,188**	632,520
Revenue	**494,468**	645,820
Profit and total comprehensive income for the year	**104,978**	159,479
Dividend received from the associate during the year	**84,900**	60,000
Group's share of profits and other comprehensive income of associates for the year	**62,987**	95,687

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Net assets of the associate	**1,005,313**	1,054,201
Proportion and carrying amount of the Group's ownership interest in Jiugang (Group) Hongda Building Materials Co., Ltd	**603,188**	632,520

27. INTERESTS IN ASSOCIATES *(Continued)*

Immaterial associate

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
The Group's share of profit (loss)	**11,406**	(29,334)
The Group's share of total comprehensive income (expenses)	**11,406**	(29,334)

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Carrying amount of the Group's interests in immaterial associates	**250,023**	231,198

28. INTERESTS IN JOINT VENTURES

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Cost of investments in joint ventures		
Unlisted	**123,940**	123,940
Share of post-acquisition (losses) profits and other comprehensive (expenses) income	**(74,398)**	10,298
	49,542	134,238

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

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
The Group's share of loss	**(84,696)**	(27,269)
The Group's share of total comprehensive expenses	**(84,696)**	(27,269)
Aggregate carrying amount of the Group's interest in joint ventures	**49,542**	134,238

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31/12/2014 RMB'000	31/12/2013 RMB'000
Measured at fair value		
Listed equity securities in PRC	**2,984,388**	1,829,356
Measured at cost		
Unlisted equity securities in PRC	**260,625**	302,405
Unlisted equity securities in Germany	**436,238**	–
Less: Impairment loss recognised	**(109,206)**	(109,206)
	587,657	193,199
	3,572,045	2,022,555

(a) The listed equity investments are measured at fair value.

(b) Included in the unlisted equity investments at cost are investments with net carrying amount of approximately RMB587,657,000 (2013: RMB193,199,000), after accumulated impairment loss of approximately RMB109,206,000 (2013: RMB109,206,000), measured at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. During the year ended 31 December 2013, RMB5,330,000 of the Group's unlisted equity investments were individually determined to be impaired due to the cessation of business of the invested entity.

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

(d) During the year ended 31 December 2014, the Group invested an additional investment in unlisted equity securities with amount of approximately RMB438,103,000.

RMB338,350,000 was attributable to the Group's 29.55% equity interest in Hazemag & EPR GmbH ("Hazemag"). The Group's interest in Hazemag was classified as available-for-sale investments as the Group had no representative in the management of Hazemag and did not have any control, significant influence and joint control in Hazemag.

(e) As at 31 December 2013, included in unlisted equity securities are investments in unlisted domestic shares in Lanzhou LS Heavy Equipment Limited and Sinoma Energy Conservation Ltd. The Group's investments in these domestic shares became listed on 9 October 2014 and 30 June 2014, respectively on the Shanghai Stock Exchange.

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(f) During the year ended 31 December 2014 and 2013, unlisted equity securities measured at cost with a net carrying amount of approximately RMB107,000 (2013: RMB759,000) were disposed of and resulted in a gain of approximately RMB165,000 (2013: RMB2,362,000).

(g) During the year ended 31 December 2014, listed equity securities of RMB560,000 were disposed of and resulted in a gain of approximately RMB64,000 (2013: Nil).

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current	
	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Derivative financial assets		
– Foreign currency forward contracts	–	21,169
Derivative financial liabilities		
– Foreign currency forward contracts	**1,690**	–

As at 31 December 2014, major terms of the foreign currency forward contracts are as follows:

Notional amounts	Maturities	Exchange rates
Buy US$4,480,000	15 January 2015	RMB6.0339:US$1
Buy US$3,820,000	15 January 2015	RMB6.1247:US$1
Buy US$2,000,000	30 January 2015	RMB6.1399:US$1
Buy US$5,000,000	31 January 2015	RMB6.1684:US$1
Buy US$2,000,000	27 February 2015	RMB6.1399:US$1
Buy US$2,000,000	30 March 2015	RMB6.1399:US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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

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

31. INVENTORIES

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Raw materials	**4,345,908**	3,954,144
Work-in-progress	**2,156,614**	2,295,134
Finished goods	**2,400,330**	2,524,002
	8,902,852	8,773,280

During the year ended 31 December 2014, reversal of allowance of inventories of approximately RMB14,251,000 (2013: RMB12,205,000) has been recognised as the corresponding inventories were either sold or used.

32. TRADE AND OTHER RECEIVABLES

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Trade receivables and retentions		
Trade and bills receivables	**15,180,966**	14,158,039
Retentions	**393,146**	151,095
	15,574,112	14,309,134
Less: Impairment loss recognised *(Note c)*	**(2,053,752)**	(1,811,755)
Trade receivables and retentions, net	**13,520,360**	12,497,379
Loan receivables		
Loan receivables	**76,450**	124,245
Less: Impairment loss recognised *(Note d)*	**(66,351)**	(54,961)
Loan receivables, net	**10,099**	69,284
Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables		
Prepayments to suppliers and subcontractors	**7,148,796**	7,584,700
Staff advances	**99,939**	78,242
Deposits	**179,639**	149,450
Other receivables	**2,000,397**	2,007,055
	9,428,771	9,819,447
Less: Impairment loss recognised *(Note f)*	**(862,570)**	(704,455)
Prepayments to suppliers and subcontractors, staff advances, deposits and other receivables, net	**8,566,201**	9,114,992
Total trade and other receivables	**22,096,660**	21,681,655
Less: Non-current portion		
Trade and bills receivables	**(395,185)**	–
Retentions	**(220,842)**	(87,611)
	(616,027)	(87,611)
Current portion	**21,480,633**	21,594,044

The Group does not hold any collateral over these balances.

32. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis of the Group's trade receivables and retentions, net of impairment loss, at the end of the reporting period presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Less than 6 months	**10,813,281**	10,473,452
6 months to 1 year	**1,539,944**	1,306,088
1 year to 2 years	**864,003**	520,306
2 years to 3 years	**243,213**	166,693
Over 3 years	**59,919**	30,840
	13,520,360	12,497,379

Settlement of trade receivables and retentions generated through engineering and construction services is made in accordance with the terms specified in the contracts governing the relevant transactions, among which retentions are generally settled within one to two years after completion of corresponding services. The Group allows credit period ranging from 30 to 365 days to its trade and construction customers.

(b) As at 31 December 2014, approximately of RMB1,209,315,000 (2013: RMB1,064,336,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Less than 6 months	**38,609**	35,099
6 months to 1 year	**578,049**	500,707
1 year to 2 years	**442,498**	396,667
2 years to 3 years	**143,221**	125,980
Over 3 years	**6,938**	5,883
	1,209,315	1,064,336

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

32. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**1,811,755**	1,075,071
Impairment loss recognised	**249,828**	743,363
Receivables written off as uncollectible	**(7,831)**	(6,679)
At 31 December	**2,053,752**	1,811,755

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB2,053,752,000 (2013: RMB1,811,755,000). The individually impaired receivables mainly related to customers that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**54,961**	46,448
Impairment loss recognised	**11,390**	8,513
At 31 December	**66,351**	54,961

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB66,351,000 (2013: RMB54,961,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 7.

(e) For the year ended 31 December 2014, the gross interest bearing loan receivables amounted to approximately RMB32,387,000 (2013: RMB25,400,000) bear interest ranging from 5.36% to 7.27% (2013: 5.52% to 7.07%). The remaining gross loan receivables amounted to approximately RMB44,063,000 (2013: RMB98,845,000) are non-interest bearing. The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

32. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2014 RMB'000	2013 RMB'000
At 1 January	704,455	431,865
Impairment loss recognised	212,733	320,088
Reversal	(13,447)	(25,000)
Receivables written off as uncollectible	(41,171)	(22,498)
At 31 December	862,570	704,455

Included in the impairment loss recognised are individually impaired prepayments to suppliers and subcontractors and other receivables with an aggregate balance of approximately RMB862,570,000 (2013: RMB704,455,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history and the balances also included the accumulated impairment of approximately RMB44,500,000 (2013: RMB44,500,000) provided for the consideration receivables for disposal of Taian City Electric Power Co. Ltd. ("Taian Electric"). The factors considered by management in determining the impairment are described in Note 7.

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

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

32. TRADE AND OTHER RECEIVABLES *(Continued)*

(g) *(Continued)*

During the year ended 31 December 2014, no material repayments had been received from those customers even though freezing orders had been implied, the directors of the Company recognised further impairment in respect of trade receivables and prepayments to supplies of approximately RMB88,254,000 and RMB122,036,000 respectively during the year ended 31 December 2014. The directors of the Company believe that Sinoma E&E can fully recover the remaining balances.

33. CONTRACT WORK-IN-PROGRESS

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Contract cost incurred plus recognised profit less recognised losses	**44,121,027**	45,757,326
Less: Progress billings	**(43,883,468)**	(45,501,382)
Contract work-in-progress	**237,559**	255,944
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**573,062**	599,010
Amounts due to customers for contract work	**(335,503)**	(343,066)
	237,559	255,944
Contract revenue recognised as turnover	**14,737,760**	13,890,444

Included in the trade and other receivable are retentions due from customers for contract works of approximately RMB393,146,000 (2013: RMB151,095,000).

Included in the trade and other payables are advances received from customers for contract works of approximately RMB7,778,312,000 (2013: RMB7,968,235,000).

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

During the year ended 31 December 2014, foreseeable losses on construction contracts of approximately RMB61,921,000 (2013: RMB58,348,000) have been recognised in the consolidated statement of profit or loss.

34. RESTRICTED BANK BALANCES

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
RMB	**1,364,904**	1,342,101
US$	**183**	165
EUR	**31,675**	31,862
Others	**6,135**	5,835
	1,402,897	1,379,963

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB10,342,000 (2013: RMB9,033,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2014, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, ranged from 0.34% to 3.23% (2013: 0.35% to 3.21%) per annum.

35. BANK BALANCES AND CASH

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Cash at bank and in hand	**9,273,171**	6,564,717
Bank deposits		
– Term deposits	**276,316**	100,210
– Other bank deposits	**559,436**	605,128
	835,752	705,338
Cash and cash equivalents	**10,108,923**	7,270,055

35. BANK BALANCES AND CASH *(Continued)*

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

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
RMB	**8,212,657**	5,445,136
US$	**1,375,738**	1,333,991
EUR	**230,470**	217,519
ZAR	**17,424**	16,353
SAR	**39,767**	36,394
XOF	**34,758**	37,872
MYR	**12,347**	13,855
AED	**22,593**	25,679
IQD	**2,392**	1,628
ALL	**106**	42
AZN	**1,662**	1,582
Others	**159,009**	140,004
	10,108,923	7,270,055

(b) As at 31 December 2014, the fixed interest rate on term deposits with initial terms over three months ranged from 3.92% to 5.87 % (2013: 3.88% to 5.55%) per annum.

As at 31 December 2014, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months ranged from 2.85% to 3.10% (2013: 2.80% to 3.10%) per annum.

(c) Cash at banks denominated in RMB are deposited with banks in the PRC at the prevailing market rates. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

36. TRADE AND OTHER PAYABLES

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Trade payables	**17,279,575**	15,517,827
Deposits, advances, accruals and other payables		
Prepayment from customers	**10,519,060**	10,725,497
Accrued payroll and welfare	**436,177**	432,333
Accrued social security costs	**299,154**	279,706
Other taxes	**213,075**	227,943
Accrued expenses	**285,871**	293,479
Deposits payable	**174,629**	173,174
Dividends payable to non-controlling interests by subsidiaries	**152,451**	148,196
Other payables	**689,241**	659,017
	12,769,658	12,939,345
Total trade and other payables	**30,049,233**	28,457,172
Less: Non-current portion:		
Accrued payroll and welfare	**(5,390)**	(4,034)
Current portion	**30,043,843**	28,453,138

36. TRADE AND OTHER PAYABLES *(Continued)*

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Within 6 months	**12,676,905**	11,948,717
6 months to 1 year	**3,470,479**	2,668,255
1 year to 2 years	**905,907**	638,196
2 years to 3 years	**133,238**	157,272
Over 3 years	**93,046**	105,387
	17,279,575	15,517,827

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

(b) Non-current portion of accrued payroll and welfare represents the portion of accrued employee housing allowances, payable to employees over their years of service to the Group, expected to be settled over one year from the end of the reporting period.

37. SHORT-TERM FINANCING BILLS

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Short-term financing bills, unsecured	**6,220,000**	2,900,000

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

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

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

37. SHORT-TERM FINANCING BILLS *(Continued)*

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

On 1 April and 2 September 2014, the Company issued two one-year short-term financing bills of face value at RMB1,500,000,000 and RMB400,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 5.60% and 4.98% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 5 August 2014, Sinoma International Engineering Co., Ltd., a non-wholly-owned subsidiary of the Company, issued one-year short-term financing bills of face value at RMB500,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.95% per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 29 April and 11 November 2014, Tianshan Cement, a non-wholly-owned subsidiary of the Company, issued two one-year short-term financing bills of face value at RMB500,000,000 and RMB500,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 5.97% and 4.50% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 16 September 2014, Ningxia Building Materials Co., Ltd., a non-wholly-owned subsidiary of the Company, issued one-year short-term financing bills of face value at RMB500,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 5.56% per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 3 April, 19 May and 25 September 2014, Sinoma Cement, a wholly-owned subsidiary of the Company, issued three one-year short-term financing bills of face value at RMB260,000,000, RMB300,000,000 and RMB500,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.00%, 5.74% and 5.34% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 17 January, 30 July and 14 October 2014, Sinoma Science & Technology, a non-wholly-owned subsidiary of the Company, issued three one-year short-term financing bills of face value at RMB10,000,000, RMB400,000,000 and RMB500,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 8.00%, 5.39% and 5.10% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 12 March and 11 November 2014, Sinoma Science & Technology, a non-wholly owned subsidiary of the Company, issued 180-day short-term financing bills of face value at RMB500,000,000 and RMB350,000,000 respectively in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.80% and 5.00% respectively per annum and the principal together with the interest thereon is payable on maturity of the bills.

On 15 April 2014, Sinoma Science & Technology, a non-wholly owned subsidiary of the Company, issued 90-day short-term financing bills of face value at RMB550,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 6.30% per annum and the principal together with the interest thereon is payable on maturity of the bills.

38. BORROWINGS

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Bank borrowing		
– Secured *(Note a)*	**1,921,310**	2,036,357
– Unsecured	**17,334,011**	20,183,309
	19,255,321	22,219,666
Other borrowing		
– Unsecured	**1,600,715**	1,969,581
	1,600,715	1,969,581
Total borrowing	**20,856,036**	24,189,247
Non-current		
Non-current portion of long-term bank borrowings		
– Secured	**694,842**	826,200
– Unsecured	**4,801,654**	6,160,278
	5,496,496	6,986,478
Other borrowings		
– Unsecured	**664,258**	944,948
	664,258	944,948
Total non-current borrowings	**6,160,754**	7,931,426
Current		
Current portion of long-term bank borrowings		
– Secured	**256,930**	267,740
– Unsecured	**1,183,459**	1,278,334
	1,440,389	1,546,074
Short-term bank borrowings		
– Secured	**969,538**	1,091,497
– Unsecured	**11,348,898**	12,595,617
	12,318,436	13,687,114
Other borrowings		
– Unsecured	**936,457**	1,024,633
	936,457	1,024,633
Total current borrowings	**14,695,282**	16,257,821
Total borrowings	**20,856,036**	24,189,247

38. BORROWINGS *(Continued)*

Notes:

(a) Secured borrowings of the Group as at 31 December 2014 and 2013 were secured by the Group's property, plant and equipment (Note 21) and prepaid lease payments (Note 22).

(b) The exposure of borrowings to interest rate changes is as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Fixed-rate borrowings	**9,058,882**	9,600,712
Variable-rate borrowings	**11,797,154**	14,588,535
	20,856,036	24,189,247

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Within 1 year	**14,695,282**	16,257,821
1 year to 2 years	**2,618,879**	3,304,572
2 years to 5 years	**3,114,745**	4,130,715
Wholly repayable within 5 years	**20,428,906**	23,693,108
Over 5 years	**427,130**	496,139
	20,856,036	24,189,247

(d) Certain borrowings of the Group are guaranteed by other state-owned enterprises and independent third parties. The amounts of the guarantees provided by other state-owned enterprises and independent third parties to the Group at the end of the reporting period are as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Guarantees provided by:		
– Other state-owned enterprises	**20,000**	20,000
– Independent third parties	**583,760**	538,460
	603,760	558,460

38. BORROWINGS *(Continued)*

Notes: (Continued)

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Bank borrowings		
– RMB	**6.56%**	6.51%
– US$	**4.17%**	3.93%
Other borrowings		
– RMB	**6.04%**	5.97%

(g) The undrawn borrowing facilities are as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Floating rate		
– Expiring within 1 year	**14,367,813**	12,379,530
– Expiring beyond 1 year	**12,903,682**	9,789,285
Fixed rate		
– Expiring within 1 year	**9,243,390**	7,671,894
– Expiring beyond 1 year	**350,000**	285,000
	36,864,885	30,125,709

39. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

The Group operates unfunded defined benefit plan for qualifying former employees. The Group paid supplemental pension subsidies or pension contributions to its retired employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in China who leave the Group after 31 December 2006. The plan is administrated by the Group and contributed from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. Under the plan, the employees are entitled to retirement benefits varying between 45 % and 85 % of final salary on attainment of a retirement age of 55-60.

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

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

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

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

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

	2014	2013
	RMB'000	*RMB'000*
Past service cost	**(24,692)**	(9,060)
Net interest on obligation	**(13,401)**	(11,044)
Total amounts recognised in profit or loss	**(38,093)**	(20,104)
Remeasurement of defined benefit obligation:		
Actuarial losses recognised in the year	**(16,321)**	(38,762)
Actuarial gains arising from changes in experience adjustments	**41,466**	22,567
Total amounts recognised in other comprehensive income	**25,145**	(16,195)
Total defined benefit costs	**(12,948)**	(36,299)

Of the amounts recognised in profit or loss, amounted to approximately RMB38,093,000 (2013: RMB20,104,000) has been included in administrative expenses.

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

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Present value of unfunded defined benefit obligation	**277,032**	317,268
Less: current portion	**(53,184)**	(50,897)
Non-current portion	**223,848**	266,371

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

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**317,268**	331,866
Interest cost	**13,401**	11,044
Remeasurements:		
Actuarial gains arising from changes in experience adjustments	**(41,466)**	(22,567)
Actuarial losses recognised in the year	**16,321**	38,762
Past service cost, including losses on curtailments	**24,692**	9,060
Benefits paid	**(53,184)**	(50,897)
At 31 December	**277,032**	317,268

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

	Valuation at	
	31/12/2014 **RMB'000**	31/12/2013 RMB'000
Discount rate	**3.7%**	4.7%
Benefit increase rates	**6%**	6%
Mortality for current early retiree		
Male	**0.26%**	0.26%
Female	**0.14%**	0.14%
Mortality for current retiree		
Male	**1.19%**	1.19%
Female	**0.75%**	0.75%

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

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

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

	Change in assumption	Impact on defined benefit obligation 31/12/2014 *RMB'000*
Discount rate	increase/decrease by 0.5%	decrease/increase by 10,661
Benefits increase rates	increase/decrease by 0.5%	increase/decrease by 11,512
Mortality	increase/decrease by 1%	increase/decrease by 3,470

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

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

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

The weighted average duration of the defined benefit obligation is 66 years.

The most recent actuarial valuations and the present value of the defined benefit obligation as at 31 December 2014 were carried out at 12 January 2015 by Mr. Alex Tschai, Consulting Director, Principal Actuary of Mercer Investment Consulting Inc and is a Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, related past service cost were measured using the Projected Unit Credit Cost method.

40. CASH-SETTLED SHARE-BASED PAYMENTS

The Group implemented a share appreciation rights scheme to motivate and award the senior management team and other key members of the Company. Under this share appreciation rights scheme, share appreciation rights are granted in units representing one H share. No share will be issued under the share appreciation rights scheme. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the share appreciation rights over the applicable vesting period.

40. CASH-SETTLED SHARE-BASED PAYMENTS *(Continued)*

The share appreciation rights scheme was approved at the second extraordinary general meeting held on 22 October 2010. On 13 December 2010, 4,130,000 units of the share appreciation rights scheme with a vesting period of two years were granted to sixteen senior officers, including five directors and eleven senior management members, at an exercise price of RMB5.17 per unit. Under the terms of this grant, all share appreciation rights had a contractual life of seven years from the date of grant, a recipient of share appreciation rights may not exercise the rights in the first twenty four months after the date of grant. As at each of the second, third and fourth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total share appreciation rights granted to such person. The total amounts paid in cash as a result of the Company's market price being higher than that the exercise price of the share appreciation rights shall not exceed 40% of the salaries level of those grantees accessed at the date of grant. The share appreciation rights which have not been exercised after the expiration of the term of the scheme shall lapse.

During the year ended 31 December 2013, no share appreciation rights grants was exercised or expired. As at 31 December 2013, 1,160,000 units of the share appreciation rights remained outstanding.

During the year ended 31 December 2014, no share appreciation rights granted was exercised while all the share appreciation rights were lapsed. Therefore, no share appreciation rights remained outstanding as at 31 December 2014 and liability balance of RMB113,000 was reversed. There was no liability balance in respect of share appreciation rights as at 31 December 2014.

For the year ended 31 December 2013, the Group has reversed expenses of approximately RMB871,000 and approximately RMB113,000 included in other payables related to the share appreciation rights. For the year ended 31 December 2013, the fair value of share appreciation rights is determined using the Black-Scholes pricing model with expected volatility of 50%, risk free rate of 4.46% and dividend yield of 1%. The share appreciation rights liability was included in accrued payroll and welfare in trade and other payables and administrative expenses.

41. PROVISIONS

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Analysed for reporting purposes:		
Non-current liabilities	**80,868**	56,460
Current liabilities	**21,389**	25,060
	102,257	81,520

41. PROVISIONS *(Continued)*

	Provision for litigation RMB'000 (Note i)	Warranties RMB'000 (Note ii)	Total RMB'000
At 1 January 2013	27,780	65,732	93,512
Additional provision recognised	–	38,331	38,331
Reversal	(27,780)	–	(27,780)
Utilised during the year	–	(22,543)	(22,543)
At 31 December 2013 and 1 January 2014	**–**	**81,520**	**81,520**
Additional provision recognised	**–**	**52,926**	**52,926**
Utilised during the year	**–**	**(32,189)**	**(32,189)**
At 31 December 2014	**–**	**102,257**	**102,257**

Notes:

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

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Groups' obligations for warranties under the sale contracts. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

42. CORPORATE BONDS

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Corporate bonds, at amortised cost	**2,495,162**	2,492,782

On 31 July 2009, the Company issued seven-year corporate bonds of face value of RMB2,500,000,000 in the PRC capital market. The corporate bonds bear a fixed interest rate of 5.40% per annum and the interest is paid annually.

The corporate bonds are denominated in RMB. The effective interest rate of the corporate bonds is 5.52% per annum.

43. MEDIUM-TERM NOTES

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Medium-term notes, at amortised cost	**6,257,222**	5,755,339
Less: Non-current portion	**(4,557,222)**	(5,755,339)
Current portion	**1,700,000**	–

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

Date of issue	Principal *RMB'000*	Term	Contractual interest rate	Interest payment	Effective interest rate
10 March 2010	1,700,000	5 years	4.48% per annum	Annually	4.48%
21 April 2011	660,000	5 years	6.16% per annum	Annually	6.41%
20 October 2011	500,000	5 years	7.00% per annum	Annually	7.00%
25 October 2011	700,000	5 years	7.99% per annum	Annually	7.99%
24 November 2011	800,000	5 years	5.83% per annum	Annually	5.89%
14 August 2012	900,000	5 years	5.61% per annum	Annually	5.63%
7 June 2013	500,000	3 years	5.04% per annum	Annually	5.04%
20 August 2014	500,000	5 years	6.73% per annum	Annually	6.73%

44. DEFERRED INCOME

	Government grants relating to research and development expenditure *RMB'000*	Government grants relating to property, plant and equipment *RMB'000*	Government grants relating to land use rights *RMB'000*	Total *RMB'000*
At 1 January 2013	294,805	229,069	165,029	688,903
Additions	146,445	118,766	23,033	288,244
Utilised/amortised during the year	(110,597)	(79,560)	(22,657)	(212,814)
At 31 December 2013 and 1 January 2014	**330,653**	**268,275**	**165,405**	**764,333**
Additions	**164,282**	**101,520**	**37,451**	**303,253**
Utilised/amortised during the year	**(108,178)**	**(73,878)**	**(24,573)**	**(206,629)**
At 31 December 2014	**386,757**	**295,917**	**178,283**	**860,957**

44. DEFERRED INCOME *(Continued)*

During the year ended 31 December 2014, the Group received government grants of approximately RMB164,282,000 (2013: RMB146,445,000) towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to income in the current year of approximately RMB108,178,000 (2013: RMB110,597,000). As at 31 December 2014, an amount of approximately RMB 386,757,000 (2013: RMB330,653,000) remains unutilised.

During the year ended 31 December 2014, the Group received government grants of approximately RMB138,971,000 (2013: RMB141,799,000) towards the cost of construction of property, plant and equipment and acquisition of land use rights. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately RMB98,451,000 (2013: RMB102,217,000). As at 31 December 2014, an amount of approximately RMB474,200,000 (2013: RMB433,680,000) remains unamortised.

45. DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during the year are as follows:

(a) Deferred income tax assets

	Provision for impairment of assets	Assets revaluation surplus during the Reorganisation	Tax losses	Deferred income arising from government grants	Unrealised profit on inter-company transactions	Provision for early retirement and supplemental benefit obligations	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	293,490	6,178	13,863	28,938	223,317	50,234	88,417	704,437
Acquisition of subsidiaries	952	–	–	–	–	–	–	952
Credited to other comprehensive income	–	–	–	–	–	4,425	–	4,425
Credited (charged) to the consolidated of profit or loss statement	71,136	(1,026)	612	8,771	47,568	(5,761)	1,083	122,383
At 31 December 2013 and 1 January 2014	**365,578**	**5,152**	**14,475**	**37,709**	**270,885**	**48,898**	**89,500**	**832,197**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(5,433)**	**–**	**(5,433)**
Credited (charged) to the consolidated of profit or loss statement	**38,384**	**(850)**	**667**	**10,297**	**46,176**	**(8,375)**	**1,367**	**87,666**
At 31 December 2014	**403,962**	**4,302**	**15,142**	**48,006**	**317,061**	**35,090**	**90,867**	**914,430**

45. DEFERRED INCOME TAX *(Continued)*

(b) Deferred income tax liabilities

	Assets revaluation surplus in business combinations	Borrowings reassessed in debt restructurings	Available-for- sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	283,648	2,338	411,213	697,199
Attributable to acquisition of subsidiaries	18,378	–	–	18,378
Credited to other comprehensive income	–	–	(76,300)	(76,300)
Credited to consolidated statement of profit or loss	(30,099)	(336)	–	(30,435)
At 31 December 2013 and 1 January 2014	**271,927**	**2,002**	**334,913**	**608,842**
Credited to other comprehensive income	**–**	**–**	**214,037**	**214,037**
Credited to consolidated income statement	**(34,035)**	**(329)**	**–**	**(34,364)**
At 31 December 2014	**237,892**	**1,673**	**548,950**	**788,515**

(c) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2014, a deferred tax asset has been recognised in respect of approximately RMB93,378,000 (2013: RMB89,755,000) of such losses. No deferred tax assets has been recognised in respect of the remaining tax losses amounting to approximately RMB1,440,390,000 (2013: RMB1,264,372,000), as management believes it is more likely than not that such tax losses would not be realised before they expire. The expiry of the tax losses for which no deferred income tax assets were recognised are analysed as follows:

	31/12/2014	31/12/2013
	RMB'000	*RMB'000*
Within 1 year	**210,412**	63,325
Between 1 to 2 years	**416,245**	210,412
Between 2 to 3 years	**342,782**	416,245
Between 3 to 4 years	**231,608**	342,782
Between 4 to 5 years	**239,343**	231,608
	1,440,390	1,264,372

46. SHARE CAPITAL

	Unlisted domestic shares		Unlisted foreign shares		H Shares		Total	
	Number of shares *'000*	Amount *RMB'000*	Number of shares *'000*	Amount *RMB'000*	Number of shares *'000*	Amount *RMB'000*	Number of shares *'000*	Amount *RMB'000*
Registered, issued and fully paid:								
1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

47. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

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

(i) Zhangye Julong

On 1 April 2013, the Group acquired 26% equity interests in Zhangye Julong from independent third party for an aggregate cash consideration of RMB60,000,000. Zhangye Julong is principally engaged in the production of concrete and cement and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

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

Consideration transferred

	RMB'000
Cash	60,000

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

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

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

(i) Zhangye Julong *(continued)*

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

	RMB'000
Property, plant and equipment	302,587
Prepaid lease payments	7,790
Deferred income tax assets	949
Inventories	62,824
Trade and other receivables	162,400
Bank balances and cash	6,264
Trade and other payables	(195,409)
Income tax assets	5,390
Borrowings	(180,750)
Dividend payable	(37,131)
Deferred income tax liabilities	(4,198)
	130,716

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

Goodwill arising on acquisition:

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

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

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

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

(i) Zhangye Julong *(continued)*

Goodwill arose in the acquisition of Zhangye Julong because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhangye Julong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Zhangye Julong

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2013 was approximately RMB52,439,000 attributable to the additional business generated by Zhangye Julong. Turnover for the year ended 31 December 2013 included approximately RMB289,185,000.

Had the acquisition been completed on 1 January 2013, total turnover of the Group for the year ended 31 December 2013 would have been RMB52,100,406,000 and profit for the year ended 31 December 2013 would have been RMB1,457,242,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the 'pro-forma' turnover and profit of the Group had Zhangye Julong been acquired at the beginning of 2013, the directors of the Company have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

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

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

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

(ii) LNV Technology

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

Consideration transferred

	RMB'000
Cash	149,164

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

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

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

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB68,905,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB68,905,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

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

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

(ii) LNV Technology *(continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	149,164
Plus: non-controlling interests (32% in LNV Technology)	43,012
Less: net assets acquired	(134,411)
Goodwill arising on acquisition	57,765

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

Goodwill arose in the acquisition of LNV Technology because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of LNV Technology. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of LNV Technology

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2013 was approximately RMB4,668,000 attributable to the additional business generated by LNV Technology. Turnover for the year ended 31 December 2013 included approximately RMB62,721,000 from LNV Technology.

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

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

(ii) LNV Technology *(continued)*

Impact of acquisition on the results of the Group *(Continued)*

Had the acquisition been completed on 1 January 2013, total turnover of the Group for the year ended 31 December 2013 would have been approximately RMB52,130,413,000, and profit for the year ended 31 December 2013 would have been approximately RMB1,473,952,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" turnover and profit of the Group had LNV Technology been acquired at the beginning of 2013, the directors of the Company have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

(iii) Wuhai Xishui

On 21 June 2013, the Group acquired additional 55% equity interest in Wuhai Xishui held by Xishui Strong Year Co., Ltd Inner Mongolia ("XSGF") for a consideration of RMB233,139,000. Wuhai Xishui was owned by Ningxia Building Materials and XSGF as to 45% and 55%, respectively before this additional acquisition of equity interest. Upon completion of the acquisition, Wuhai Xishui became a wholly-owned subsidiary of Ningxia Building Materials and an indirect subsidiary of the Company. Wuhai Xishui is principally engaged in manufacturing and sales cement and cement clinker and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	233,139

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

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

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

(iii) Wuhai Xishui *(Continued)*

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

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

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

Goodwill arising on acquisition:

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

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

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

(iii) Wuhai Xishui *(Continued)*

Goodwill arose in the acquisition of Wuhai Xishui because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wuhai Xishui. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Wuhai Xishui

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2013 was approximately RMB33,517,000 loss for the year attributable to the additional business generated by Wuhai Xishui. Turnover for the year ended 31 December 2013 included approximately RMB151,191,000 from Wuhai Xishui.

Had the acquisition been completed on 1 January 2013, total revenue of the Group for the year ended 31 December 2013 would have been approximately RMB52,207,649,000 and profit for the year ended 31 December 2013 would have been approximately RMB1,409,196,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

In determining the "pro-forma" turnover and profit of the Group had Wuhai Xishui been acquired at the beginning of 2013, the directors of the Company have:

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

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

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

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

(iv) Runji Cement

On 13 September 2013, the Group acquired 100% equity interests in Runji Cement from independent third parties for an aggregate cash consideration of RMB265,595,000. Runji Cement is principally engaged in the production and sale of clinker and cement and was acquired so as to continue the expansion of the Group's cement operation. This acquisition has been accounted for using acquisition method.

Consideration transferred

	RMB'000
Cash	193,048
Consideration payable (included in other payables)	72,547
	265,595

Acquisition-related costs were borne by the vendor and have been excluded from the consideration transferred.

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

	RMB'000
Property, plant and equipment	291,458
Prepaid lease payments	47,723
Mining rights	4,980
Other non-current assets	10,594
Deferred income tax assets	3
Inventories	18,848
Trade and other receivables	46,612
Other current assets	49
Bank balances and cash	4,948
Trade and other payables	(150,818)
Income tax liabilities	(3,470)
Dividend payable	(7,639)
Deferred income tax liabilities	(12,764)
	250,524

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB46,612,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB46,612,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

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

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

(iv) Runji Cement *(Continued)*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	265,595
Less: net assets acquired	(250,524)
Goodwill arising on acquisition	15,071

Goodwill arose in the acquisition of Runji Cement because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Runji Cement. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of Runji Cement

	RMB'000
Cash consideration paid	(193,048)
Cash and cash equivalents acquired	4,948
	(188,100)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2013 was approximately RMB3,435,000 loss for the year attributable to the additional business generated by Runji Cement. Turnover for the year ended 31 December 2013 included RMB46,828,000 from Runji Cement.

Had the acquisition been completed on 1 January 2013, total revenue of the Group for the year ended 31 December 2013 would have been approximately RMB52,265,161,000, and profit for the year ended 31 December 2013 would have been approximately RMB1,472,817,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

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

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

(iv) Runji Cement *(Continued)*

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

- calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

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

48. BUSINESS COMBINATIONS UNDER COMMON CONTROL

The Group adopts merger accounting for common control combinations in respect of the following transactions occurred during the year ended 31 December 2013.

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

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

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

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

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

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

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

The parent company of Tianjin Engineering, CCDRI, Handan Sinoma, TCDRI, SDRI and NRDI (collectively named as the "Acquired Subsidiaries") is Sinoma Group and the aforesaid transactions are regarded as business combinations under common control.

No significant adjustments were made to the net assets and net results of the above entities as a result of the common control combination to achieve consistency of accounting policies.

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

Statements of adjustments for the business combinations under common control occurred during the year ended 31 December 2013 on the Group's financial position as at 31 December 2013 and and the results for the year ended 31 December 2013 are summarised as follows:

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
For the year ended 31 December 2013				
Turnover	49,540,186	2,541,130	–	52,081,316
Cost of sales	(39,706,191)	(2,362,998)	–	(42,069,189)
Gross profit	9,833,995	178,132	–	10,012,127
Interest income	121,739	17,509	–	139,248
Other gains	1,344,743	47,092	–	1,391,835
Selling and marketing expenses	(1,813,310)	(9,250)	–	(1,822,560)
Administrative expenses	(5,291,120)	(159,245)	–	(5,450,365)
Exchange loss	(85,263)	–	–	(85,263)
Other expenses	(51,895)	(1,422)	–	(53,317)
Finance costs	(1,947,612)	(14,334)	–	(1,961,946)
Share of results of associates	66,353	–	–	66,353
Share of results of joint ventures	(27,269)	–	–	(27,269)
Profit before tax	2,150,361	58,482	–	2,208,843
Income tax expense	(730,951)	(12,481)	–	(743,432)
Profit for the year	1,419,410	46,001	–	1,465,411
Profit for the year attributable to:				
Owners of the Company	350,413	47,099	–	397,512
Non-controlling interests	1,068,997	(1,098)	–	1,067,899
	1,419,410	46,001	–	1,465,411

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

	The Group (excluding the Acquired Subsidiaries) RMB'000	Acquired Subsidiaries RMB'000	Adjustment *(Note i)* RMB'000	The Group (including the Acquired Subsidiaries) RMB'000
As at 31 December 2013				
Non-current assets				
Property, plant and equipment	45,015,406	194,780	–	45,210,186
Prepaid lease payments	3,853,959	–	–	3,853,959
Investment properties	170,070	5,934	–	176,004
Intangible assets	696,736	25,108	–	721,844
Mining rights	512,945	–	–	512,945
Investments in the Acquired Subsidiaries	515,569	–	(515,569)	–
Interests in associates	858,873	4,845	–	863,718
Interests in joint ventures	134,238	–	–	134,238
Available-for-sale financial assets	2,022,555	–	–	2,022,555
Trade and other receivables	87,611	–	–	87,611
Other non-current assets	220,328	–	–	220,328
Deferred income tax assets	820,342	11,855	–	832,197
	54,908,632	242,522	(515,569)	54,635,585
Current assets				
Inventories	8,270,129	503,151	–	8,773,280
Trade and other receivables	20,211,355	1,382,689	–	21,594,044
Amounts due from customers for contract work	599,010	–	–	599,010
Prepaid lease payments	131,052	–	–	131,052
Derivative financial instruments	21,169	–	–	21,169
Other current assets	107,875	–	–	107,875
Restricted bank balances	1,379,963	–	–	1,379,963
Bank balances and cash	6,542,599	727,456	–	7,270,055
	37,263,152	2,613,296	–	39,876,448

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

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

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

	The Group (excluding the Acquired Subsidiaries) *RMB'000*	Acquired Subsidiaries *RMB'000*	Adjustment *(Note i)* *RMB'000*	The Group (including the Acquired Subsidiaries) *RMB'000*
As at 31 December 2013				
Capital and reserves				
Share capital	3,571,464	154,999	(154,999)	3,571,464
Reserves	7,692,478	501,864	(360,570)	7,833,772
Equity attributable to owners of the Company	11,263,942	656,863	(515,569)	11,405,236
Non-controlling interests	16,760,593	2,328	–	16,762,921
TOTAL EQUITY	28,024,535	659,191	(515,569)	28,168,157

Notes:

(i) The adjustment comprise of elimination of the paid-in capital of the Acquired Subsidiaries against the investment costs.

The consideration for the acquisition of the Acquired Subsidiaries amounted to approximately RMB515,569,000 in aggregate and the aggregate paid-in capital of the Acquired Subsidiaries at the date of combination were approximately RMB154,999,000.

(ii) The effects of adopting merger accounting for common control combination on the Group's basic and diluted earnings per share for the year ended 31 December 2013 is as follow:

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

49. COMMITMENTS

(a) Capital commitments

	31/12/2014 RMB'000	31/12/2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**728,576**	703,023
– Prepaid lease payments	**1,891**	2,077
	730,467	705,100

(b) Operating lease commitments

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Within one year	**6,482**	2,750
In the second to fifth year inclusive	**9,640**	6,784
After five years	**32,118**	40,463
	48,240	49,997

Operating lease payments represents rentals payables by the Group for various offices, warehouses and residential properties. Leases are negotiated for a period from 1 to 20 years and rentals are fixed during the relevant lease periods.

The Group as lessor

The Group rents out various investment properties under non-cancellable operating lease agreements. The rented out properties are expected to generate rental yield of 18% (2013: 22%) on an ongoing basis. All of the properties held have committed tenants for the next 1 to 5 years.

49. COMMITMENTS *(Continued)*

(b) Operating lease commitments *(Continued)*

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments as follows:

	31/12/2014 RMB'000	31/12/2013 RMB'000
Within one year	**11,438**	9,680
In the second to fifth year inclusive	**14,112**	8,556
After five years	**10,833**	8,811
	36,383	27,047

50. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year ended 31 December 2014, proceeds from disposal of property, plant and equipment and prepaid lease payments of approximately RMB240,000,000 and RMB200,000,000 respectively were included in other receivables.

(b) During the year ended 31 December 2014, the Group has acquired property, plant and equipment amounting to approximately RMB2,880,000,000 which has been included in other payables as at 31 December 2014.

(c) During the year ended 31 December 2014, the Group has acquired property, plant and equipment amounting to approximately RMB145,000,000 was settled by bank borrowings.

51. RELATED PARTY DISCLOSURES

Sinoma Group, the immediate holding company of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The State Council is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither Sinoma Group nor the State Council published financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties, excluding other state-owned enterprises, during the two years ended 31 December 2014 and 2013 and balances as at 31 December 2014, 31 December 2013 with related parties transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties.

51. RELATED PARTY DISCLOSURES *(Continued)*

(i) Transactions and balances with other state-owned enterprises

(a) The Group's transactions with other state-owned enterprises only accounted for less than 5% of the Group's revenue and cost of sales for the two years ended 31 December 2014 and 2013.

(b) The balances with other state-owned enterprises and Sinoma Group and its fellow subsidiaries only accounted for less than 5% of the Group's trade and other receivables and trade and other payables as at 31 December 2014 and 2013. However, over 95% of the Group's borrowings were obtained from and over 95% of the Group's cash and cash equivalents are maintained with other state-owned enterprises.

In addition, as at 31 December 2014 and 2013, certain borrowings of the Group were secured by the corporate guarantees executed by other state-owned enterprises.

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

The Group has the following significant transactions with related parties other than other state-owned enterprises:

	2014 *RMB'000*	2013 *RMB'000*
Transactions with joint ventures		
Revenue		
– Sales of goods or provision of services	**17,741**	17,235
Expenses		
– Purchases of goods or services	**9,137**	7,088
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**276**	891
Expenses		
– Purchases of goods or services	**–**	50,290
Transactions with non-controlling interests		
Revenue		
– Sales of goods or provision of services	**71,511**	96,881
Expenses		
– Purchases of goods or services	**11,152**	24,078
– Rental expenses	**2,039**	2,000

51. RELATED PARTY DISCLOSURES *(Continued)*

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

Balances with related parties other than other state-owned enterprises:

	2014 RMB'000	2013 RMB'000
Trade and other receivables		
Trade receivables due from		
– Joint ventures	10,576	7,319
– Associates	518	265
– Non-controlling interests	9,242	29,072
– Less: Impairment loss recognised	(1,447)	(2,566)
	18,889	34,090
Loan receivables due from		
– Joint ventures	–	57
Other receivables due from		
– Joint ventures	1,487	–
– Associates	–	4,116
– Less: Impairment loss recognised	(74)	(427)
	1,413	3,689
	20,302	37,836

51. RELATED PARTY DISCLOSURES *(Continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Trade and other payables		
Trade payables due to		
– Joint ventures	**9,184**	6,498
– Non-controlling interests	**21.083**	17,551
	30,267	24,049
Other payables due to		
– Non-controlling interests	**–**	30,086
	–	30,086
	30,267	54,135

The credit periods of trade receivables due from related parties and trade payables due to related parties, if any, generally range from 30 to 365 days. Other receivables due from related parties and other payables due to related parties are generally unsecured, non-interest bearing and repayable on demand.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	RMB'000	*RMB'000*
Short-term benefits	**10,208**	6,969
Post employment benefits	**504**	477
Cash-settled share-based payments	**(113)**	(172)
	10,599	7,274

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

52. CHARGE OF ASSETS

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

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Property, plant and equipment	**2,069,526**	1,079,590
Prepaid lease payments	**144,581**	49,330
	2,214,107	1,128,920

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of subsidiaries

As at 31 December 2014 and 2013, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest: Directly held	Attributable equity interest: Indirectly held	Principal activities and place of operation
Listed:					
Sinoma International (中國中材國際工程股份有限公司)	The PRC 28 December 2001 Joint stock company	1,093,297	42.46% *(Note (i)(1))*	–	Construction and engineering services; The PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology (中材科技股份有限公司)	The PRC 28 December 2001 Joint stock company	400,000	54.32% *(Note (i)(2))*	–	High-tech materials operations; The PRC
Tianshan Cement (新疆天山水泥股份有限公司)	The PRC 18 November 1998 Joint stock company	880,101	35.49% *(Note (i)(3))*	–	Cement operations; The PRC
Ningxia Building Materials (寧夏建材集團股份有限公司)	The PRC 4 December 1998 Joint stock company	478,181 (2013:478,318)	47.56% (2013: 47.54%) *(Note (i)(4))*	–	Cement operations; The PRC
Qilianshan Co. (甘肅祁連山水泥集團股份有限公司)	The PRC 3 December 1995 Joint stock company	776,290	13.24% *(Note (i)(5))*	12.81%	Cement Operations; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital RMB'000	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Unlisted:					
CBMI Construction Co., Ltd. (中材建設有限公司)	The PRC 13 November 2002 Limited liability company	72,580	–	100%	Construction and engineering services; The PRC, Africa, Europe and South America
Chengdu Design & Research Institute of Building Materials Industry Co., Ltd. (成都建築材料工業設計研究院有限公司)	The PRC 28 November 2002 Limited liability company	60,000	–	100%	Construction and engineering services; The PRC
Sinoma Tangshan Heavy Machinery Co., Ltd. (唐山中材重型機械有限公司)	The PRC 27 January 2003 Limited liability company	30,006	–	100%	Manufacture of cement equipment; The PRC
Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司)	The PRC 19 December 2002 Limited liability company	50,080	–	100%	Construction and engineering services; The PRC
Sinoma Equipment Group Co., Ltd. (中材裝備集團有限公司)	The PRC 13 December 2006 Limited liability company	145,000	–	100%	Construction and engineering services; The PRC, Africa and other Asian countries
Sinoma Equipment & Engineering Corp Ltd. (中國中材東方國際貿易有限公司)	The PRC 3 June 1988 Limited liability company	50,000	–	100%	Construction and engineering services; The PRC and other Asian countries

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
CEMTECH Tianjin Heavy Machinery Co. Ltd. (中材(天津)重型機械有限公司)	The PRC 7 April 2000 Limited liability company	55,280	–	100%	Manufacture of cement equipment; The PRC
CEMTECH Xuzhou Heavy Machinery Co., Ltd. (中天仕名(徐州)重型機械有限公司)	The PRC 16 December 2002 Limited liability company	38,000	–	91%	Manufacture of cement equipment; The PRC
CEMTECH Zibo Heavy Machinery Co., Ltd. (中天仕名(淄博)重型機械有限公司)	The PRC 8 January 2002 Limited liability company	50,000	–	100%	Manufacture of cement equipment; The PRC
CEMTECH Changshu (常熟仕名重型機械有限公司)	The PRC 23 October 2003 Limited liability company	20,000	–	100%	Manufacture of cement equipment; The PRC
China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd. (中國建築材料工業建設西安工程有限公司)	The PRC 28 December 2001 Limited liability company	56,000	–	100%	Construction and engineering services; The PRC
Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司)	The PRC 29 June 2007 Limited liability company	35,750	–	100%	Construction and engineering services; The PRC
Sinoma Shangrao (上饒中材機械有限公司)	The PRC 19 April 2007 Limited liability company	12,457	–	100%	Construction and engineering services; The PRC
Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司)	The PRC 26 June 2007 Limited liability company	60,960	–	100%	Construction and engineering services; The PRC
Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設工程有限公司)	The PRC 14 August 2007 Limited liability company	33,870	–	100%	Construction and engineering services; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	The PRC 17 November 2003 Limited liability company	28,500	–	100%	Manufacture of environment-friendly equipment; The PRC
Sinoma Cement (中材水泥有限責任公司)	The PRC 20 November 2003 Limited liability company	1,823,140	100%	–	Cement operations; The PRC
Sinoma Hanjiang (中材漢江水泥股份有限公司)	The PRC 25 August 1994 Joint stock company	277,916	–	91.83%	Cement operations; The PRC
Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司)	The PRC 6 February 2006 Limited liability company	270,000	–	70%	Cement operations; The PRC
Yunfu Tianshan Cement Co., Ltd. (中材天山(雲浮)水泥有限公司)	The PRC 4 April 2003 Limited liability company	150,000 (2013: 180,000)	–	81.94%	Cement operations; The PRC
Xinjiang Tianshan Zhuyou Concrete Co., Ltd. (新疆天山築友混凝土有限責任公司)	The PRC 20 April 2003 Limited liability company	50,000	–	100%	Cement operations; The PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	The PRC 16 January 1996 Limited liability company	35,526	–	74.63%	Cement operations; The PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	The PRC 28 January 2003 Limited liability company	24,253	–	60%	Cement operations; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	The PRC 25 April 2001 Limited liability company	443,325	–	100%	Cement operations; The PRC
Xinjiang Tunhe Cement Co., Ltd. (新疆屯河水泥有限責任公司)	The PRC 16 October 2000 Limited liability company	517,426	–	51%	Cement operations; The PRC
Suzhou Tianshan Cement Co., Ltd. (蘇州天山水泥有限責任公司)	The PRC 6 November 2003 Limited liability company	30,000	–	100%	Cement operations; The PRC
Wuxi Tianshan Cement Co., Ltd. (無錫天山水泥有限公司)	The PRC 28 February 2003 Limited liability company	80,000	–	100%	Cement operations; The PRC
Jiangsu Tianshan Cement (Group) Co., Ltd. (江蘇天山水泥集團有限公司)	The PRC 11 November 2002 Limited liability company	231,353	–	66.01%	Cement operations; The PRC
Suzhou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	The PRC 26 July 2002 Limited liability company	4,000	–	75%	Cement operations; The PRC
Sinoma Advanced Materials Co. Ltd. (中材高新材料股份有限公司)	The PRC 25 December 2000 Joint stock company	107,591	99.46%	–	High-tech materials operations; The PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	The PRC 30 April 2007 Limited liability company	100,000	–	64%	Manufacture of new materials; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體研究院有限公司)	The PRC 22 April 2005 Limited liability company	40,000	–	100%	High-tech materials operations; The PRC
Beijing Composite Material Co., Ltd. (北京玻鋼院複合材料有限公司)	The PRC 2 January 2003 Limited liability company	60,000	20%	80%	High-tech materials operations; The PRC
Sinoma Science & Technology (Suzhou) Co., Ltd. (中材科技(蘇州)有限公司)	The PRC 26 October 2004 Limited liability company	180,000	–	100%	High-tech materials operations; The PRC
Taishan Fiberglass Inc. (泰山玻璃纖維有限公司)	The PRC 17 September 1999 Limited liability company	1,934,712	100%	–	Glass fiber operations; The PRC
Taishan Fiberglass Zoucheng Co., Ltd. (泰山玻璃纖維鄒城有限公司)	The PRC 26 July 2001 Limited liability company	806,865	–	87.41%	Glass fiber operations; The PRC
Taishan Composite (山東泰山複合材料有限公司)	The PRC 16 April 2003 Limited liability company	238,684	–	100%	Glass fiber operations; The PRC
CTG International Inc. (CTG 北美貿易有限公司)	United States ("U.S.") 16 April 2004 Limited liability company	1,626 (2013:13,457)	–	100%	Trading of glass fiber; U.S.
Tai'an Huatai Nonmetal Micronization Co., Ltd. (泰安華泰非金屬微粉有限公司)	The PRC 4 January 2002 Limited liability company	18,980	–	100%	Production and sale of non-metallic crystal; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司)	The PRC 17 January 2004 Limited liability company	203,957	50.01%	–	Glass fiber operations; The PRC
Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司)	The PRC 22 December 1999 Limited liability company	32,000	51%	–	Manufacture of Chinese ISO standard sands; The PRC
Yixing Tianshan (宜興天山水泥有限責任公司)	The PRC 29 July 2008 Limited liability company	150,000	–	100%	Cement operations; The PRC
Midong Tianshan Cement Co. Ltd. (新疆米東天山水泥有限公司)	The PRC 24 April 2007 Limited liability company	256,481	–	64.56%	Cement operations; The PRC
Sinoma Luoding Cement Co., Ltd. (中材羅定水泥有限公司)	The PRC 4 December 2007 Limited liability company	230,000 (2013:290,000)	–	100%	Production and sales of cement and clinker; The PRC
Sinoma Zhuzhou Cement Co. Ltd. (中材株洲水泥有限公司)	The PRC 11 October 2005 Limited liability company	230,000	–	100%	Cement operation; The PRC
Sinoma Changde Cement Co. Ltd. (中材常德水泥有限責任公司) (formerly known as Changde Sinoma Cement Co. Ltd, 常德中材牛力水泥有限公司)	The PRC 10 October 2007 Limited liability company	135,000 (2013:145,420)	–	100%	Cement operation; The PRC
Sinoma Xiang Tan Cement Co. Ltd. (中材湘潭水泥有限公司) (formerly known as Xiang Tan Sinoma Cement Co. Ltd, 湘潭中材牛力水泥有限公司)	The PRC 28 September 2007 Limited liability company	230,000 (2013:289,710)	–	100%	Production and sales of cement and clinker; The PRC

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Unlisted: *(Continued)*					
Sinomatech Wind Power Blade Co., Ltd. (中材科技風電葉片股份有限公司)	The PRC 14 June 2007 Joint stock company	441,019	–	91.58% (2013: 85.46%)	Sales of wind power blade; The PRC
Ning Xia Qingtongxia Cement Co. Ltd. (寧夏青銅峽水泥股份有限公司)	The PRC 11 August 2001 Joint stock company	334,750	–	87.19%	Cement operation; The PRC
Ning Xia Zhongning Saima Cement Co. Ltd. (寧夏中寧賽馬水泥有限公司)	The PRC 24 June 2004 Limited liability company	205,758	–	100%	Cement operation; The PRC
Xiahe Anduo (夏河祁連山安多水泥有限責任公司)	The PRC 1 February 2000 Limited liability company	50,000 (2013:58,690)	–	65%	Cement operation; The PRC
Sinomatech (Funing) Wind Power Blade Co., Ltd. (中材科技(阜寧)風電葉片有限公司)	The PRC 26 December 2007 Limited liability company	318,607	–	100%	Sales of wind power blade; The PRC
Energy and Infrastructure Limited (能源和基建有限公司)	Saudi Arabia 3 February 2013 Limited liability company	31,848	–	51%	Construction and engineering services; Saudi Arabia
Sinoma International Engineering (HK) Co., Limited (中材國際工程股份(香港)有限公司)	Hong Kong 22 January 2013 Limited liability company	158,052	–	100%	Investment in construction project, The PRC
Nanjing National Materials Testing Technology Co., Ltd. (南京中材檢測技術有限公司)	The PRC 1 January 2013 Limited liability company	500	–	100%	Inspection service, The PRC
中材江西電瓷電氣有限公司	The PRC 22 March 2013 Limited liability company	100,000	–	70%	Sales of insulators for high voltage power transmission

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

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

(i) As at 31 December 2014 and 2013, the Group's shares in companies listed in the PRC comprise:

(1) 42.46% (2013: 42.46%) equity interests in Sinoma International, a company listed on the Shanghai Stock Exchange of the PRC. The Company's equity interests in Sinoma International represents 464,263,219 A shares. The market value of the 464,263,219 tradable shares as at 31 December 2014 is approximately RMB6,225,769,766 (2013: RMB3,853,384,718 for 464,263,219 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Sinoma International on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. There are another two shareholders individually holding more than 1% with aggregation of ownership interests of 13.90%. The remaining 43.64% ownership interests in Sinoma International are owned by thousands of shareholders that are unrelated to the Group.

(2) 54.32% (2013: 54.32%) equity interests in Sinoma Science & Technology, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Sinoma Science & Technology represents 217,298,286 A shares. The market value of the 217,298,286 tradable shares as at 31 December 2014 is approximately RMB2,824,877,718 (2013: RMB2,679,287,866 for 217,298,286 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Sinoma Science & Technology on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. There are another five shareholders individually holding more than 1% with aggregation of ownership interests of 13.35%. The remaining 32.33% ownership interests in Sinoma Science & Technology are owned by thousands of shareholders that are unrelated to the Group.

(3) 35.49% (2013: 35.49%) equity interests in Tianshan Cement, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Tianshan Cement represents 312,381,609 A shares. The market value of the 312,381,609 tradable shares as at 31 December 2014 is approximately RMB3,201,911,492 (2013: RMB1,899,285,162 for 312,381,609 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Tianshan Cement on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. There is one shareholder holding more than 1% with ownership interest of 1.14%. The remaining 63.37% ownership interests in Tianshan Cement are owned by thousands of shareholders that are unrelated to the Group.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

(i) As at 31 December 2014 and 2013, the Group's shares in companies listed in the PRC comprise: *(Continued)*

(4) 47.56% (2013: 47.54%) equity interests in Ningxia Building Materials, a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Ningxia Building Materials represents 227,413,294 (2013: 227,413,294) A shares which will be tradable since 21 December 2014. The market value of the 227,413,294 tradable shares as at 31 December 2014 is approximately RMB2,824,473,062 (2013: RMB1,771,549,529 for 227,413,294 tradable shares).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Ningxia Building Materials on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. The remaining 52.44% (2013: 52.46%) ownership interests in Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

(5) 19.77% (2013: 19.98%) effective equity interests in Qilianshan Co., a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Qilianshan Co. represents 202,216,739 (2013: 205,376,739) A shares. The market value of these shares as at 31 December 2014 is approximately RMB2,218,317,627 (2013: RMB1,373,972,130).

The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Qilianshan Co., on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholder. The remaining 80.02% ownership interests in Ningxia Building Materials are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

(ii) The operations of the principal subsidiaries are principally located in the PRC, Middle East and other Asian countries

Except for Sinoma International, Sinoma Science & Technology, Tianshan Cement, Ningxia Building Material, Qilianshan Co. which are listed companies in the PRC, all subsidiaries, jointly ventures and associates have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries referred to in these consolidated financial statements represent management's best effort in translating the Chinese names of these companies as no English names have been registered.

Except for the medium-term notes, short-term financing bills and corporate bonds, as detailed in Note 43, Note 37 and Note 42, none of the subsidiaries had issued debt securities at the end of the reporting period.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31 December 2014	31 December 2013
Investment holdings	The PRC	**3**	3
Investment holdings	India	**1**	1
Construction and engineering services	The PRC	**30**	32
Construction and engineering services	Malaysia	**1**	1
Manufacture of cement equipment	The PRC	**10**	10
Cement operations	The PRC	**94**	107
Glass fiber operations	The PRC	**5**	5
High-tech materials operations	The PRC	**24**	24
Production and sale of non-metallic crystal	The PRC	**2**	2
Publication service	The PRC	**3**	3
Mining, gas supply and inspection	The PRC	**9**	9
Sales of wind power blade	The PRC	**4**	4
Property management	The PRC	**10**	10

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ registration	Paid up issued/ ordinary share capital	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2014	2013	**2014**	2013	**2014**	2013
		RMB'000						
Sinoma International	The PRC	1,093,297	**57.54%**	57.54%	**43,786**	19,863	**2,587,882**	2,606,463
Sinoma Science & Technology	The PRC	400,000	**45.68%**	45.68%	**78,915**	63,269	**1,252,626**	1,352,222
Tianshan Cement	The PRC	880,101	**64.51%**	64.51%	**164,552**	296,339	**5,397,509**	5,716,136
Ningxia Building Materials	The PRC	478,181	**52.44%**	52.46%	**156,483**	230,473	**2,140,476**	2,556,338
Qilianshan Co.	The PRC	776,290	**80.23%**	80.02%	**347,982**	492,811	**2,654,731**	4,604,428
Sinoma Jinjing Fiber Glass	The PRC	203,957	**49.99%**	49.99%	**(55.735)**	(5,680)	**87,873**	143,608

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

The summarised financial information in respect of the Group's subsidiaries that have non-controlling interests that are material to the Group for the year ended 31 December 2014, before intragroup eliminations:

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Co. *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
As at 31 December 2014						
Current assets	21,039,405	4,881,285	4,865,317	2,337,649	2,326,812	160,926
Non-current assets	3,719,377	3,173,975	17,088,018	5,795,218	8,932,068	226,819
Current liabilities	(18,473,699)	(4,661,846)	(9,889,390)	(2,602,985)	(3,437,932)	(209,882)
Non-current liabilities	(1,787,548)	(651,239)	(3,697,012)	(1,029,301)	(2,403,130)	(2,083)
Equity attributable to owners of the Company	1,909,653	1,489,549	2,969,424	2,360,105	2,763,087	87,907
Non-controlling interests	2,587,882	1,252,626	5,397,509	2,140,476	2,654,731	87,873
For the year ended 31 December 2014						
Revenue	22,943,571	4,531,885	7,104,243	4,119,608	6,412,132	17,643
Expenses	22,897,007	4,359,128	6,845,742	3,789,751	5,928,815	129,136
Profit (loss) for attributable to owners of the Company	19,771	93,842	91,742	172,977	264,491	(55,758)
Profit (loss) for attributable to the non-controlling interests	26,793	78,915	166,759	156,880	236,826	(55,735)
Profit (loss) for the year	46,564	172,757	258,501	329,857	483,317	(111,493)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Co. *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
Other comprehensive income (expenses) attributable to owners of the Company	29,272	–	(1,837)	(734)	33,565	–
Other comprehensive income (expenses) attributable to the non-controlling interests	261	–	(1,583)	(101)	193,287	–
Other comprehensive income (expenses) for the year	29,533	–	(3,420)	(835)	226,852	–
Total comprehensive income (expenses) attributable to owners of the Company	32,311	93,842	90,528	172,539	362,186	(55,758)
Total comprehensive income (expenses) attributable to the non-controlling interests	43,786	78,915	164,553	156,483	347,983	(55,735)
Total comprehensive income (expenses) for the year	76,097	172,757	255,081	329,022	710,169	(111,493)
Dividends paid to non-controlling interests	15,727	18,272	56,775	47,662	–	–
Net cash inflow (outflow) from operating activities	1,409,015	381,621	409,989	493,166	923,930	(35,680)
Net cash (outflow) inflow from investing activities	(575,771)	(525,306)	18,534	(166,692)	(112,892)	(4,302)
Net cash inflow (outflow) from financing activities	790,701	339,303	(200,682)	(182,189)	(856,560)	34,324
Effect of changes in exchange rate	(26,542)	(1,067)	–	(1,067)	–	108
Net cash inflow (outflow)	1,597,403	194,551	227,841	143,218	(45,522)	(5,550)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

The summarised financial information in respect of the Group's subsidiaries that have non-controlling interests that are material to the Group for the year ended 31 December 2013, before intragroup eliminations:

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Co. *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
As at 31 December 2013						
Current assets	20,434,257	3,694,977	4,477,971	2,396,870	2,522,595	132,785
Non-current assets	3,263,950	2,797,802	17,182,309	5,603,138	8,863,444	307,769
Current liabilities	(17,855,933)	(3,233,854)	(8,745,224)	(2,445,108)	(4,363,553)	(150,364)
Non-current liabilities	(1,421,980)	(655,969)	(4,739,613)	(1,063,110)	(2,154,689)	(2,917)
Equity attributable to owners of the Company	1,813,831	1,250,734	2,459,307	1,935,452	263,369	143,665
Non-controlling interests	2,606,463	1,352,222	5,716,136	2,556,338	4,604,428	143,608
For the year ended 31 December 2013						
Revenue	20,881,516	3,592,918	8,318,113	4,444,554	6,127,680	171,438
Expenses	20,809,703	3,471,011	7,936,303	4,069,948	5,610,899	182,802
Profit (loss) for attributable to owners of the Company	38,101	58,638	99,163	142,033	22,088	(5,684)
Profit (loss) for attributable to the non-controlling interests	33,712	63,269	282,647	232,573	494,693	(5,680)
Profit (loss) for the year	71,813	121,907	381,810	374,606	516,781	(11,364)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have subsidiary of the Group that have material non-controlling interests: *(Continued)*

	Sinoma International *RMB'000*	Sinoma Science & Technology *RMB'000*	Tianshan Cement *RMB'000*	Ningxia Building Materials *RMB'000*	Qilianshan Co. *RMB'000*	Sinoma Jinjing Fiber Glass *RMB'000*
Other comprehensive income (expenses) attributable to owners of the Company	(15,652)	–	4,804	(1,283)	(84)	–
Other comprehensive income (expenses) attributable to the non-controlling interests	(13,849)	–	13,692	(2,100)	(1,882)	–
Other comprehensive income (expenses) for the year	(29,501)	–	18,496	(3,383)	(1,966)	–
Total comprehensive income (expenses) attributable to owners of the Company	22,449	58,638	103,967	140,750	22,004	(5,684)
Total comprehensive income (expenses) attributable to the non-controlling interests	19,863	63,269	296,339	230,473	492,811	(5,680)
Total comprehensive income (expenses) for the year	42,312	121,907	400,306	371,223	514,815	(11,364)
Dividends paid to non-controlling interests	10,337	3,733	42,968	4,006	63,089	–
Net cash inflow (outflow) from operating activities	(182,514)	252,818	211,845	577,656	957,563	1,106
Net cash outflow from investing activities	(675,916)	(762,964)	(1,236,340)	(276,297)	(647,876)	(16,533)
Net cash inflow (outflow) from financing activities	701,800	308,932	1,111,157	(689,776)	(682,486)	67
Effect of changes in exchange rate	(18,901)	(1,928)	–	–	–	(712)
Net cash inflow (outflow)	(175,531)	(203,142)	86,662	(388,417)	(372,799)	(16,072)

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(c) As at 31 December 2014 and 2013, the Company has indirect equity interests in the following principal associates:

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital *RMB'000*	Attributable equity interest	Principal activities and place of operation
Unlisted:				
Nanjing Chunhui Science & Technology Industry & Commerce Co., Ltd. (南京春輝科技實業有限公司)	The PRC 24 January 1997 Limited liability company	8,043	20.59%	Glass fiber operations; The PRC
Hangzhou Qiangshi Engineering & Materials Co., Ltd. (杭州強士工程材料有限公司)	The PRC 30 July 2000 Limited liability company	17,750	30%	Glass fiber operations; The PRC
Hanjiang Concrete Co., Ltd. (漢中市漢江混凝土有限責任公司)	The PRC 24 March 2000 Limited liability company	15,000	26.67%	Cement operations; The PRC
Jiugang (Group) Hongda Building Materials Co., Ltd. (酒鋼(集團)宏達建材有限責任公司)	The PRC 10 February 1998 Limited liability company	136,730	60% *(Note (i))*	Cement operation;
Sinoma Group Finance Co., Ltd. (中材集團財務有限公司)	The PRC 23 April 2013 Limited liability company	500,000	30%	Finance business; The PRC
Wuxi Hengjiu Concrete Pile Manufacturing Co., Ltd. (無錫恆久管樁製造有限公司)	The PRC 4 September 2003 Limited liability company	15,000	25%	Cement equipment and engineering services; The PRC

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

The Group appointed two of the seven directors in the board of directors of Jiugang (Group) Hongda Building Materials Co., Ltd. ("Jiugang Hongda"). The Group has significant influence over Jiugang Hongda and therefore Jiugang Hongda treated as an associate of the Group.

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2014 *RMB'000*	31/12/2013 *RMB'000*
Non-current assets		
Property, plant and equipment	5,405	6,237
Intangible assets	7,385	6,289
Investments in subsidiaries	12,460,224	11,473,185
Investment in an associate	904,700	904,700
Available-for-sale financial assets	2,435,699	1,635,064
Deferred income tax assets	15,798	15,798
	15,829,211	14,041,273
Current assets		
Other receivables	1,915,251	1,914,141
Bank balances and cash	486,022	24,489
	2,401,273	1,938,630
Current liabilities		
Other payables	532,341	170,756
Dividend payables	9,366	8,117
Income tax liabilities	1,678	1,522
Short-term financing bills	1,900,000	1,000,000
Borrowings	50,000	750,000
Medium-term notes	1,700,000	–
Early retirement and supplemental benefit obligations	3,571	6,735
	4,196,956	1,937,130
Net current (liabilities)/assets	(1,795,683)	1,500
Total assets less current liabilities	14,033,528	14,042,773

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	31/12/2014 ***RMB'000***	31/12/2013 *RMB'000*
Non-current liabilities		
Corporate bonds	**2,495,162**	2,492,782
Medium-term notes	**–**	1,700,000
Borrowings	**–**	400,000
Early retirement and supplemental benefit obligations	**27,644**	47,618
Deferred income tax liabilities	**507,315**	307,156
	3,030,121	4,947,556
NET ASSETS	**11,003,407**	9,095,217
Capital and reserves		
Share capital	**3,571,464**	3,571,464
Reserves *(note a)*	**7,431,943**	5,523,753
TOTAL EQUITY	**11,003,407**	9,095,217

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note b (i))*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2013	3,273,160	(546,272)	121,630	1,155,187	1,527,986	311,273	5,842,964
Profit for the year	–	–	–	–	–	15,720	15,720
Other comprehensive income for the year							
Actuarial loss on defined benefit obligations	–	–	–	–	(19,724)	–	(19,724)
Income tax relating to actuarial loss on defined benefit obligations	–	–	–	–	4,932	–	4,932
Fair value changes of available-for-sale financial assets	–	–	–	(310,207)	–	–	(310,207)
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	77,552	–	–	77,552
Total comprehensive (expenses) income for the year	–	–	–	(232,655)	(14,792)	15,720	(231,727)
Dividend recognised as distribution	–	–	–	–	–	(107,144)	(107,144)
Government contributions	–	–	–	–	19,660	–	19,660
Appropriation to statutory surplus reserve *(Note b (ii))*	–	–	5,814	–	–	(5,814)	–
At 31 December 2013	3,273,160	(546,272)	127,444	922,532	1,532,854	214,035	5,523,753

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) The movements in the reserves of the Company during the reporting period are: *(Continued)*

	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Other reserves *RMB'000* *(Note b (i))*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	3,273,160	(546,272)	127,444	922,532	1,532,854	214,035	5,523,753
Loss for the year	–	–	–	–	–	(52,997)	(52,997)
Other comprehensive income for the year							
Actuarial gain on defined benefit obligations	–	–	–	–	21,222	–	21,222
Fair value changes of available-for-sale financial assets	–	–	–	821,858	–	–	821,858
Income tax relating to fair value changes of available-for-sale financial assets	–	–	–	(200,159)	–	–	(200,159)
Total comprehensive (expenses) income for the year	–	–	–	621,699	21,222	(52,997)	589,924
Dividend recognised as distribution	–	–	–	–	–	(71,429)	(71,429)
Government contributions	–	–	–	–	1,389,695	–	1,389,695
At 31 December 2014	3,273,160	(546,272)	127,444	1,544,231	2,943,771	89,609	7,431,943

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) The reserves of the Company

(i) In October 2007, Sinoma Group entered into an irrevocable guarantee agreement with the Ministry of Commerce of the PRC ("MOC"), which released a guarantee previously provided by the Company to a subsidiary of Sinoma Group on a special foreign aid fund loans lent by MOC to such subsidiary. According to the agreement, Sinoma Group will assume the responsibility as the guarantor of the loans. The provision made by the Company for such guarantee, amounting to RMB98,700,000, was reversed and accounted for as an equity contribution from Sinoma Group.

During the year ended 31 December 2014, national funds amount to RMB1,389,695,000 (2013: RMB19,660,000) are contributed by the PRC Government to the Company through Sinoma Group. Such funds are used specifically for energy saving and emission reduction and key industries construction projects.

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

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners.

The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2013, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB5,814,000 (2014: Nil), to the statutory surplus reserve.

(iii) Loss/profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2014 has incorporated a loss of approximately RMB52,997,000 (2013: profit of approximately RMB15,720,000) arising from the financial statements of the Company.

55. EVENTS AFTER THE REPORTING PERIOD

(i) On 30 August 2013, Sinoma International Engineering Co., Ltd ("Sinoma International"), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with the shareholder of Hazemag & EPR GmbH ("Hazemag"), a company incorporated in Germany to acquire 59.09% equity interests in Hazemag at a total cash consideration of EUR104,000,000. The first step of the acquisition of 29.55% equity interests was completed during the year ended 31 December 2014 with such investment carried at available-for-sale investment. On 25 February 2015, the Group had paid the consideration for acquiring the remaining 29.54% equity interests.

Following the completion of the second step, the Group holds 59.09% equity interests in Hazemag and gained control over Hazemag. The acquisition of Hazemag will be accounted for as a business combination. The initial accounting for business combination of Hazemag remained incomplete pending the determination of fair values of certain identified assets of Hazemag and the Group's 29.55% equity interest in Hazemag. In the opinion of the directors of the Company, these assets will represent a substantial portion of the value of the net identifiable assets and liabilities of Hazemag and will have a determining effect on the amount of goodwill or gain on bargain purchases to be recognised. As there is no reasonable basis in which the directors of the Company can estimate the provisional values of these items, the assets and liabilities information of Hazemag as at the date the Group obtained control over Hazemag are not disclosed.

(ii) On 2 March 2015, the Company issued 180-day short-term financing bills of face value at RMB1,800,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.80% per annum and the principal together with the interest thereon is payable on maturity of the bills.

(iii) On 23 March 2015, the Company issued 180-day short-term financing bills of face value at RMB1,700,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 4.89% per annum and the principal together with the interest thereon is payable on maturity of the bills.

DEFINITIONS

"Articles of Association" or "Articles"	The articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"BBMG Corporation"	BBMG Corporation
"Board"	the board of Directors of the Company
"CBMI Construction"	CBMI Construction Co., Ltd. (中材建設有限公司), a wholly-owned subsidiary of Sinoma International
"Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
"CTG"	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares of RMB1.00 each in the share capital of the Company, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares of RMB1.00 each in the ordinary share capital of the Company, which are subscribed for and traded in Hong Kong dollars and are listed and traded on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Kunlunshan Lime"	Qinghai Kunlunshan Lime Industry Co., Ltd. (青海昆侖山石灰產業有限公司), a limited liability company incorporated under the laws of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Ningxia Building Materials"	Ningxia Building Materials Group Co., Limited (寧夏建材集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd. (中國中材集團有限公司), the controlling shareholder and one of the promoters of the Company
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China, which for the purpose of this annual report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qilianshan Co."	Gansu Qilianshan Cement Group Company Limited (甘肅祁連山水泥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600720), a subsidiary of the Company
"Qilianshan Holdings"	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a subsidiary of the Company
"Qinghai Qilianshan"	Qinghai Qilianshan Cement Co., Ltd. (青海祁連山水泥有限公司), a limited liability company incorporated under the laws of the PRC
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended 31 December 2014
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"Sinoma (Hong Kong)"	China National Materials (Hong Kong) Co., Limited (中國中材股份(香港)有限公司), a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
"Sinoma Cement"	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
"Sinoma E&E"	Sinoma Equipment & Engineering Corp., Ltd. (中國中材東方國際貿易有限公司), a wholly-owned subsidiary of Sinoma International
"Sinoma Finance"	Sinoma Group Finance Co., Ltd. (中材集團財務有限公司), a limited liability company incorporated under the laws of the PRC

"Sinoma International"	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd. (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002080), a subsidiary of the Company
"Strategy Committee"	the strategy committee of the Board
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Taishan Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材(集團)有限責任公司), a subsidiary of the Parent and one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company

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