ANNUAL REPORT 2013

Asia Cement (China) Holdings Corporation

亞洲水泥(中國)控股公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 743

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHANG, Tsai-hsiung *(Vice Chairman)*
Dr. WU, Chung-lih *(Chief Executive Officer)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chen-kuen
Mr. LIN, Seng-chang
Mr. HSU, Shu-ping

Non-Executive Director

Mr. HSU, Shu-tong *(Chairman)*

Independent Non-Executive Directors

Mr. LIU, Zhen-tao
Mr. LEI, Qian-zhi
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

COMPANY SECRETARY

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

QUALIFIED ACCOUNTANT

Mr. LO Wai Kit, *ACCA, FCPA, CFA*

AUTHORIZED REPRESENTATIVES

Madam CHIANG SHAO, Ruey-huey
Mr. LO Wai Kit

MEMBERS OF AUDIT COMMITTEE

Mr. TSIM, Tak-lung Dominic *(Chairman)*
Mr. HSU, Shu-tong
Dr. WONG, Ying-ho Kennedy

MEMBERS OF REMUNERATION COMMITTEE

Dr. WONG, Ying-ho Kennedy *(Chairman)*
Mr. HSU, Shu-tong
Mr. TSIM, Tak-lung Dominic

MEMBERS OF NOMINATION COMMITTEE

Mr. HSU, Shu-tong *(Chairman)*
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

MEMBERS OF INDEPENDENCE COMMITTEE

Mr. LIU, Zhen-tao *(Chairman)*
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

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STOCK CODE

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Financial Highlights

	Notes	**2013 RMB'000**	2012 RMB'000	% Change Increase
Revenue		**7,330,818**	6,684,149	10
Gross profit		**1,616,651**	1,121,968	44
Profit for the year		**846,304**	406,606	108
Profit attributable to owners of the Company		**823,010**	395,123	108
Gross profit margin		**22%**	17%	29
Net profit margin	*1*	**12%**	6%	100
Earning per share				
— Basic		**RMB0.529**	RMB0.254	108
— Diluted		**RMB0.529**	RMB0.254	108
Total assets		**17,361,715**	15,648,964	11
Net assets		**9,477,823**	8,883,680	7
Liquidity and Gearing				
Current ratio	*2*	**1.36**	1.47	
Quick ratio	*3*	**1.20**	1.25	
Gearing ratio	*4*	**0.45**	0.43	

Notes:

1. *Net profit margin is calculated as profit for the year divided by revenue.*
2. *Current ratio is calculated as current assets divided by current liabilities.*
3. *Quick ratio is calculated as current assets less inventories divided by current liabilities.*
4. *Gearing ratio is calculated as total liabilities divided by total assets.*

Chairman's Statement

HSU, Shu-tong *Chairman*

To our shareholders,

On behalf of the Board of Directors of Asia Cement (China) Holdings Corporation (hereinafter referred to as the "Company"), together with its subsidiaries (collectively "Asia Cement (China)" or the "Group"), I am pleased to present to our shareholders the annual report of the Group for the year ended 31 December 2013.

Chairman's Statement

The central government's stable macro-economic policy, innovative austerity measures, and priority on achieving stable growth had led to overall stability, steady growth and healthy development of the national economy in 2013. On the other hand, cement market profit first dropped at the beginning of the year, then started to pick up in the second quarter and maintained moderate performance in the third quarter until the fourth quarter where it rebounded significantly. Improved market conditions coupled with reduction in major cost – coal price enabled the Group to leverage its competitive advantages to capitalise on the market turnabout to generate considerable profits. The Group achieved favourable results for the year under review, fulfilling its promise made to shareholders.

Cement is a highly mature product with strong homogeneity. However, due to overcapacity, market competition had been aggravated. Furthermore, the relatively low industry concentration as marked by a number of enterprises, had been catalyst for vicious market competition, in which each company did not have much influence on pricing. All these factors had hampered the healthy development of the industry. In recent years, a series of measures proposed by the industry association and prepared and promulgated by the government to rein in irrational investment, eliminate obsolete production capacity, and encourage mergers, acquisitions, and restructuring, had optimised industry structure to certain extent. However, the problem of overcapacity could not be eradicated within a short period of time. How to maintain competitive edge amidst fierce competition has always remained on the Group's agenda. I hope that the management and colleagues who manage and lead the company would have sharp perception, sustainable innovative ability, team integration ability, and the necessary knowledge.

In 2013, the Ministry of Environmental Protection issued "Air pollutants emission standards for cement industry" (水泥工業大氣污染物排放標準) and "Pollution control standards for using cement kilns to facilitate the treatment of solid wastes" (水泥窯協同處置固體廢物污染控制標準). The new standards severely tightened the emission control requirements for particulates and nitrogen oxides ("NOx"). Should these tightened standards be implemented as scheduled, the cement industry will face severe challenges, and there will be a great shuffle among small to medium-sized cement plants (with daily clinker capacity under 2,000 tonnes). As the Group had long perceived this before the promulgation of this policy, it had adopted the most advanced dust collection equipment, to ensure production without polluting the environment. The Group also reduced energy consumption by using cutting-edge production equipment featuring high efficiency and low energy consumption. Furthermore, the Group was more than five years ahead of the industry in adopting residual heat power generation equipment. Not only had the Group fully utilised residual heat, but also it had reduced carbon dioxide emission. In 2013, a total of 10 standardised production lines of Jiangxi Yadong, Sichuan Yadong and Hubei Yadong won special projects fund awards for total emission reduction from the cities and provinces where these companies operated for the early completed installation of emission reduction projects including advanced features of low NOx burners and selective non-catalytic reduction ("SNCR") system.

After years of development, the domestic cement industry is now at the forefront of the world cement industry, whether in terms of size, technology or major equipment. However, if it is contented with merely maintaining the status quo, it would not be able to achieve sustainable development nor retain its leadership. Innovation is the most powerful instrument to restructure and upgrade an industry, not to mention that it also provides the best guarantee and long-lasting effect. "Innovation" is the essence of the Group's corporate culture. In 2013, the Group's production and technical team accomplished a number of technical innovations, including Jiangxi Yadong's sandstones separate grinding technology, which had been approved by a joint appraisal by Jiangxi Provincial Department of Science and Technology, Jiangxi Development and Reform Commission, Commission of Industry and Information Technology of Jiangxi Province, and Environmental Protection Department of Jiangxi Province, and was the only cement enterprise that was named a model company for innovative energy saving and emission reduction technology of Jiangxi province in 2013.

Even a big company in terms of size and assets would still have "bottlenecks" in resources, systems and management amidst an increasingly hostile and complicated market environment. In order to survive and develop, a company must integrate and cooperate with industry peers or companies in other industries to grow and increase its ability to avert market risk. The Group had entered into strategic partnership agreements with a stronger market player to expand the scope for making exchanges and cooperation. Together the two companies will cooperate on information sharing, resources, technology and market development, so as to enhance each other's competitiveness and profit margins, thereby achieving a win-win situation.

The Group strives to provide a platform for knowledge workers, with an aim to enhance productivity, achieve continued innovation and learning through technology application, and reflect added value of human resources through productivity. The Group's achievements have been made through the support of this high calibre and efficient knowledge workers, while its entire workforce form the biggest driving force for the Group to remain perceptive, innovative, and to maintain its integration ability.

In 2013, "Chinese dream" was the mostly discussed topic among people from all walks of life and different industries in China. Within the domain of the cement industry, "Chinese dream" told of a mature market, with reasonable prices, moderate competition, energy conservation, environmental protection, continued stability, and healthy development. The Group's "Chinese dream" is to "Grow Big and Strong", by achieving a 50 million tonnes production capacity and becoming one of the top 10 industry players in future. Having dreams is the most wonderful thing. With courage to pursue dreams and perseverance to realize them, the Group will adopt a down-to-earth approach to overcome difficulties, be innovative and take things one step at a time, to eventually achieve its goals.

2014 is the year where China begins the deepening of its reforms. It is also the year where various policy reforms are gradually implemented. The system will continue to be improved, which will become a new source of energy and force for achieving sustainable development of a green, circular and low carbon economy. The cement industry reform faced by the Group is also reaching the deepening stage, where the pace of transformation and upgrade will significantly accelerate. Industrialisation, informatisation, urbanisation, and agricultural modernisation will create a bigger market for the cement industry. In a new era of reform, companies under the Group will continue to strive to achieve the goal of "surviving competition and innovative operation" by identifying effective market change response strategies. The Group is fully confident in growing in tandem with the market to capture opportunities, and to achieve satisfactory results in the new year, thereby creating value for shareholders.

Vice Chairman's Statement

CHANG, Tsai-hsiung *Vice Chairman*

Time flies, and already two decades have passed since the Group entered Mainland China via its subsidiary Jiangxi Yadong Cement Corporation Ltd. in 1993, and establishment of its headquarters in Jiujiang. During this time, the Group has overcome challenges as well as made achievements, including the listing of the Company's shares on the main board of the stock exchange in Hong Kong in 2008, and the completion and operation of 13 sets of kilns in early 2014. All these years, the Group has witnessed the rapid development of China's cement industry.

2012 was a challenging year for the cement industry, with slow macro-economic growth and decelerating growth in cement demand, leading to significant year-on-year decrease in industry profits. Entering 2013, cement investment continued to decrease for three consecutive years. However, decline in additional capacity, as well as elimination of obsolete capacity helped increase industry concentration, thereby preventing certain irrational competition. All these factors had direct impact on market supply, demand and price. Benefiting from low coal prices in 2013, the cement industry saw significant improvement in profitability, with total annual profits close to RMB80 billion, which was the second highest level in history.

Vice Chairman's Statement

Following the inauguration of No. 5 and No. 6 production lines of Jiangxi Yadong Cement Corporation Ltd., there was a relatively large increase in the Group's production volume. In order to accomplish its mission of full disposal of all output, the Group joined hands with Taizhou Port Group Co., Ltd. to establish silos in Taizhou, Jiangsu Province. This means the Group will extend its sales network to overseas market, while intensifying its market penetration in Mainland China. Export will provide a way for the Group, when it sees fit, to offload part of the additional capacities. Furthermore, the Group will fully utilize the advantage of low transportation cost along the Yangtze River by preparing a new logistic plan for silos and storage operation. On the front of leading in technology and technical modification, Jiangxi Yadong has achieved separate grinding and sintering of sandstone, which had been discussed years ago, thereby solving the long-existing problem faced with grinding and sintering sandstone due to insufficient weathering process of sandstone, and improving the output quality with noticeable results. The proprietary modified SNCR technology developed by Sichuan Yadong and the vertical mill grinding nickel slag Wuhan Yadong uses to replace the original water granulated slag both indicate how problems of raw material sourcing had been overcome and how cost could be significantly reduced. All these achievements are results of the Group's relentless efforts. Furthermore, the Group will put more emphasis on developing its concrete and related products business. Apart from reviewing the operation of existing ready-mix concrete company to increase profitability, the Group will continue to identify appropriate location for building new mixing plants. Meanwhile, the Group will actively look for cooperation opportunities with State-run construction companies to ensure downstream distribution channels, with an initial target of supplying 10% of cement (approximately 3 million tonnes), and gradually more.

Looking into 2014, the continued improvement in the supply-demand relationship of the cement market is likely to drive cement price further up. The outlook is promising. 2014 is also the year in which the Group has all of its 13 production lines in full operation, and ensuring smooth operation in production, transportation and sales will therefore become the current year's priority task. The Group will continue to actively make timely adjustment to its sales strategy and market planning according to market changes, striving to increase sales volume in regional markets. It will identify appropriate acquisition and merger opportunities to seek suitable targets for acquisition and strategic cooperation through various methods including acquisition of equity interests in small to medium quality cement enterprises, in order to further expand and strengthen its operation scale and efficiency. The Group will also make positive exchanges with large cement companies, observing and learning from each other to identify an operation management method more suitable for companies operating in Mainland China, thereby generating more profits for the Group.

CEO's Review

WU, Chung-lih *Chief Executive Officer*

In 2013, the Group achieved further economies of scale by timely capitalising on the inauguration of No. 5 kiln in Jiangxi Yadong Cement Corporation Ltd. at the end of September, in addition to full capacity utilisation of its existing 11 production lines. The Group sold 26,730,000 tonnes of cement, clinker and slag powder during the year, representing an 8% growth from that of the previous year. Meanwhile, infrastructure and housing construction increased as a result of the State's policies on industry restructuring and promotion of urbanization. Growth in new capacity, on the other hand, slowed down under government's tightened control over capacity and environmental protection policy. Furthermore, the annual target of eliminating 73,450,000 tonnes of obsolete capacity was accomplished at the end of September, which was well ahead of schedule. Against the backdrop of favourable internal and external conditions, the cement industry was heading in the direction of a more healthy development, and scaled a new height during the traditional peak season in the fourth quarter.

CEO's Review

In 2013, the selling price of the Group's cement product was RMB253 per tonne, which was RMB5 higher than that of the previous year. Unit cost of coal consumption decreased from RMB762 of last year to RMB644, further lowering production cost. As a result, the Group's revenue for the year amounted to RMB7,330.8 million, with gross profit of RMB1,616.7 million, and net profit of RMB846.3 million, representing year-on-year increases of 10%, 44%, and 108% respectively. Gross profit margin and net profit margin grew by 5 percentage points and 6 percentage points respectively to 22% and 12%. Profit attributable to owners of the Company amounted to RMB823.0 million. Earnings per share reached RMB0.529, representing a leap of 108% from that of last year.

Such performance was mainly attributable to improved market conditions, but the results from the Group's effort in implementing scientific management, integrating and optimising internal and external resources, broadening sources of income and reducing cost in the past year also made substantial contribution. 2013 was a milestone year for the Group, during which a number of breakthroughs were achieved. They are set out as follows:

1. **BREAKTHROUGH IN PRODUCTION, TRANSPORTATION AND SALES:**
   Jiangxi Yadong Cement Corporation Ltd.'s No. 5 and 6 kilns, with a daily clinker capacity of 6,000 tonnes, were officially inaugurated in September 2013 and January 2014 respectively. These two kilns are now running smoothly, with an average daily output of 7,000 tonnes. Benefiting from these additional kilns, Jiangxi Yadong's annual production capacity increased from 8 million tonnes to 14 million tonnes, placing the factory among China and even the world's largest cement production plants. The Group's total capacity also increased from 24,000,000 tonnes to 30,000,000 tonnes, earning it the 12th position in China by clinker output according to the list compiled by www.ccement.com. Significant increase in production and sales volume would help enhance the Group's market share and visibility in the regions, which in turn would enable the Group to have the upper hand in coordination and negotiation, thereby further increasing economic benefits. In order to establish a more diverse and flexible sales channel network so that it can respond swiftly to market changes, the Group is constructing a silo in Taizhou and plans to build a grinding mill in Nanxin to be in close proximity to its customers. With the proposed Nanxin grinding mill, the Group can ensure sufficient supply to satisfy demand, thereby improving its market share in Nanchang-Jiujiang market. These two projects will be the nexus of the sales network spanning from the central and downstream regions of Yangtze River to coastal markets, and are expected to greatly enhance the Group's internal and external sales coverage.

2. **BREAKTHROUGH IN MANAGEMENT:**
   In terms of business administration, the Group had formulated "Administrative Measures for Accounts Receivables", and "Business Practice Standards" to standardize business operations of companies under the Group and to ensure seamless communications. Such was aimed to reduce bad debt losses, accelerate capital flow, improve capital usage efficiency, and safeguard the Group's interests. In terms of corporate culture, the Group had developed the "Code of Integrity in Business", and required all employees to embrace its corporate culture of integrity in business, so as to lay a sound foundation for the Group's sustainable development. In addition, a series of administrative measures were also established to address the management's needs and provide companies under the Group with the proper basis for systemization and people-oriented management under headquarters' centralized management.

3. BREAKTHROUGH IN TECHNOLOGY AND INNOVATION:

The greywacke obtained from Jiangxi Yadong Cement Corporation Ltd.'s Huawu sandstone mine is less weathered, and is therefore hard to grind and sinter, giving rise to issues such as low clinker output, low strength, extra amount of materials required for preheater, and thick coating formed in kiln during production. To overcome this long-time problem, the research team had adopted separate grinding of sandstone and limestone to obtain the relevant powders to formulate a raw meal. Moreover, the team also modified the raw meal grinding system, which effectively improve the quality and output of clinker and reduce energy consumption. This innovative technology was named "Model Project for Energy Saving and Emission Reduction Technology in Jiangxi Province" by the Jiangxi Provincial Government, thereby further consolidating the Group's leadership in cement technology in the mainland.

Faced with limited capacity of No. 1 cement grinding mill and low profitability of No. 2 slag grinding mill, Wuhan Yadong Cement Co., Ltd. leveraged innovative ideas to increase cement output and quality by modifying the operation process of No. 2 grinding mill and identifying new raw material – nickel slag. Using nickel slag to replace the original water granulated slag (which had a lower economic efficiency) not only reduces coal consumption, but also avoids reliance on water granulated slag obtained from steel plants in Wuhan. With the synergy created from No. 1 cement grinding mill and modified No. 2 nickel slag grinding mill, Wuhan Yadong Cement Co., Ltd. significantly improves its ability to adapt to changing business environment.

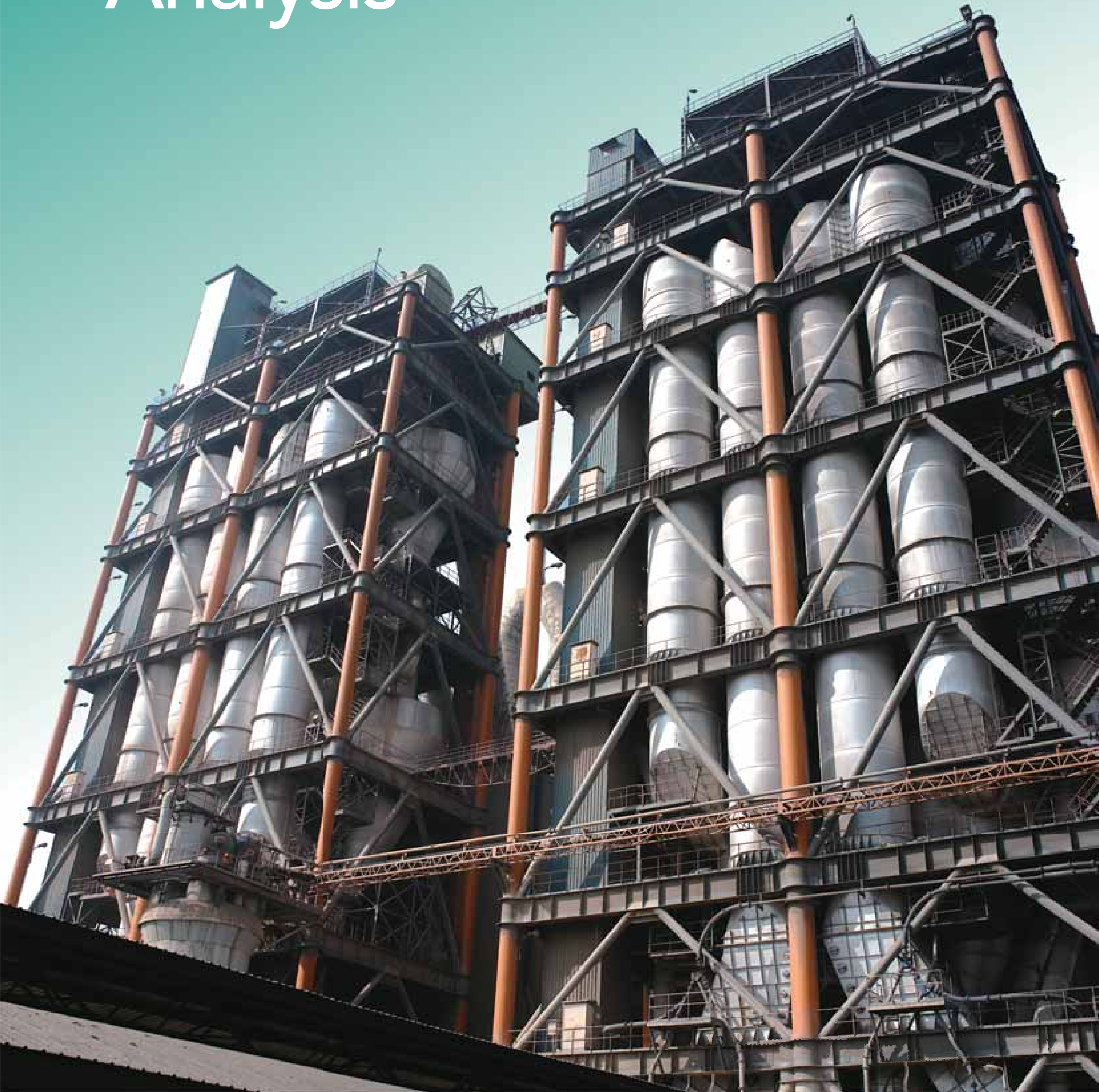
In order to comply with government's increasingly stringent NOx emission standards, cement plants are required to install denitration facilities. A team from Sichuan Yadong Cement Co., Ltd. was in charge of this project. Through learning, imitation and modification, they successfully constructed and installed a proprietary flue gas denitration system. The system enabled the Company to save investment cost of approximately RMB3.5 million, and was around 80% less than the selling price of similar equipment sold by an outside vendor. After the successful operation of the system, it was named Model Project for Promotion of Advanced Environmental Protection Technology by the environmental protection department of Sichuan Province, and all affiliated companies adopted the system and arranged for relevant technical transfer. It not only helped the Group capitalise on synergy, but also laid a solid foundation for installation of denitration projects on different types of kilns in future.

4. BREAKTHROUGH IN FORGING STRATEGIC ALLIANCE WITH INDUSTRY PLAYER:

The Group and its parent company forged an alliance with China Anhui Conch Group Company Limited ("Conch Group") and China Conch Venture Holdings Limited ("Conch Venture") by entering into strategic partnership framework agreements in early 2014. The Group's parent company and Conch Venture also entered into an investment agreement. Both parties will cooperate extensively on the areas of environmental protection and energy saving technology, using cement kilns to facilitate the treatment of waste such as urban waste and sludge, reducing the cost of residual heat power generation, as well as logistics and trading. Furthermore, the parties will complement each other, share information on a regular basis, arrange talent exchanges, and share experience, so as to jointly develop international markets and actively grasp opportunities arising from Mainland China, Taiwan, Hong Kong, Macau and the global cement markets, thereby achieving a win-win situation.

All in all, the industry was greeted with signs of recovery in 2013 after riding out of a downturn in 2012. Market players with relative strong competitive edge saw favourable year-on-year growth in their overall profits. Looking into 2014, infrastructure construction and new urbanisation will remain major driving force for cement demand. On the other hand, the acute overcapacity situation is gradually relieved. This coupled with tightened environmental standards and accelerated elimination of obsolete capacities is expected to further improve supply-demand relationship. All these factors will facilitate a moderate growth in the overall cement demand in 2014, while industry profits are expected to maintain at a relatively high level. The Group will closely monitor market changes and make timely adjustment to its sales strategies and market planning. At the same time, it will step up efforts in improving customer relationship management, strengthen relationship with business partners, enhance the quality of professional services, and create shared value to achieve win-win situation. The cement sector has been regarded as a traditional manufacturing industry that generates pollution. Only by replacing this negative image with one that promotes social services and environmental protection, as well as differentiating the Group with other industry peers, strengthening competitive edge, optimising resources integration and capitalising on the Group's synergy through improving workforce quality and organisation restructuring, can the Group reach its goal of leading in performance.

Management Discussion And Analysis



Management Discussion and Analysis

1. BUSINESS REVIEW

In 2013, the central government maintained its priority on "achieving stable growth". It continued to adopt proactive fiscal policy and prudent monetary policy, introduced innovative austerity measures, deepened reforms, and accelerated the pace of industry transformation and upgrade, with an aim to safeguard and improve people's livelihood. As a result, the national economy continued to sustain stable and healthy growth, with a 7.7% GDP growth in 2013, meeting the 7.5% preset target; a 19.6% growth in total fixed asset investments, representing a 1 percentage point decrease from that of 2012; a 19.8% growth in property development investment, representing a 3.6 percentage points year-on-year increase.

In 2013, total cement output in China amounted to 2.41 billion tonnes, representing an increase of 230 million tonnes or 11% from 2.18 billion tonnes in 2012. On the other hand, obsolete cement capacity of over 73 million tonnes was eliminated in 2013. The government's intensified efforts to protect the environment and industry's self-discipline in conserving energy and reducing emission had helped alleviate the problem of excessive capacity. Coupled with infrastructure investments and robust rural market activities, cement market demand had sustained stable growth, with improvement in supply-demand relationship and significant increase in industry profit when compared with that of 2012.

In response to rapid change in the macro-economic environment, the Group had strengthened its competitiveness by adopting various measures, and overcome challenges with noticeable results. The Group had formed a strategic alliance with an industry giant in order to complement each other's strengths. To maximize efficiency, the Group had reallocated resources of various companies under it. Responding to market change, the Group made timely adjustment to its sales strategies, thereby enlarging its share in major markets. The Group had lowered its coal purchase costs by leveraging the advantage of central procurement. The Group sets high environmental standards at the early stage of building a factory. As such, all production lines had not incurred significant additional costs when the government tightened environmental requirements. Furthermore, in compliance with local government requirements, the Group had installed all the production lines with SNCR denitration system, to reduce NOx emission, thereby fulfilling its social responsibilities. All these efforts enabled the Group to achieve encouraging results for 2013, with cement and clinker sales amounting to over 26,120,000 tonnes, representing an increase of 2,240,000 tonnes or 9% from 23,880,000 tonnes in 2012. Benefiting from sales increase coupled with a close to 5% drop in unit production cost, the Group's profits leaped significantly.

Business operation of the Group by major geographical region is set out as follows:

(1) **Sichuan Chengdu Region**

Compared with 2012, cement demand in Sichuan Province in 2013 rose by 4%, which was significantly lower than the national average growth rate of 11%. Furthermore, the region had severe overcapacity problem due to market structure and topography. After years of competition and operating at low selling price and thin profit margin, companies deeply felt that it was imperative to improve supply-demand relationship. Steered by the association and industry leaders, companies implemented self-discipline to reduce emission and other measures, leading to a market equilibrium and significant year-on-year increase in profits in 2013. Sichuan Yadong sold 5,280,000 tonnes of cement in 2013, which was 4% more than 5,090,000 tonnes in 2012.

(2) **Central and downstream regions of Yangtze River**

Over 80% of the Group's capacity was located in central and downstream regions of Yangtze River. As at the end of 2013, the Group's annual cement capacity reached 25,000,000 tonnes. Leveraging its premium and consistent quality, Skyscraper brand cement has earned itself a first-class brand in Wuhan, Nanchang, Jiujiang, Huanggang and Shanghai, with a relatively large market share, and various products under this brand are highly recognized by customers. In the first quarter of 2013, owing to cold weather and continual rain, coupled with additional capacity released in the region, certain large companies made massive cuts to their prices several times to reduce their inventory level, causing the Group's price at the end of February to plunge to its lowest in the past five years in certain regions. However, since April, the weather improved and more construction projects commenced work, leading to stronger market demand. Furthermore, cement companies responded to the association's call and effectively conserved energy and reduced emission. Market situation rapidly improved, with prices rising steadily. With peak season arriving in September, prices in different regions rose significantly, and the Group's products faced with excess demand. Favourable sales and output volumes painted a rosy picture of the Group.

Jiangxi Yadong No. 5 kiln, which inaugurated at the end of September 2013, together with its ancillary cement grinding facilities (operation of which gradually commenced), made significant contribution to the Group's overall results. In addition, Hubei Yadong, Wuhan Yadong, Yangzhou Yadong also fully utilized their grinding capacity through outsourcing clinker, thereby increasing cement supply to customers. In this region, the Group sold a total of 20,450,000 tonnes cement in 2013, which was 16% more than 17,620,000 tonnes in 2012.

Operating Results

Revenue

The Group's principal business activities are manufacture and sale of cement, concrete and related products. As shown in the table below, for 2013, the Group's revenue amounted to RMB7,330.8 million, representing an increase of RMB646.7 million or 10% from RMB6,684.1 million for 2012. The increase in revenue was mainly attributable to (i) the increase of production capacity and sales volume after the commencement of operation of No. 5 new dry process rotary kiln at Jiangxi Yadong Plant and (ii) the increase in average selling price of the Company's products.

Region	2013 RMB'000	%	2012 RMB'000	%
Central Yangtze River	**4,487,737**	**61**	3,939,397	59
Sichuan	**1,545,514**	**21**	1,485,326	22
Yangtze River Delta and Others	**1,297,567**	**18**	1,259,426	19
Total	**7,330,818**	**100**	6,684,149	100

In respect of revenue contribution for 2013, sales of cement accounted for 89% (2012: 84%) and sales of concrete accounted for 8% (2012: 9%). The table below shows the sales breakdown by product during the reporting period:

	2013 RMB'000	%	2012 RMB'000	%
Cement	**6,506,072**	**89**	5,638,970	84
Clinker	**72,834**	**1**	232,947	4
RMC	**625,271**	**8**	625,008	9
Blast-furnace slag powder	**126,641**	**2**	187,224	3
Total	**7,330,818**	**100**	6,684,149	100

The table below shows the sales volume of each of the Group's products during the reporting period:

	2013 '000 units	2012 '000 units
Cement	**25,726**	22,708
Clinker	**395**	1,173
RMC	**2,011**	1,990
Blast-furnace slag powder	**611**	871

Note: The sales volume for cement, clinker, and blast-furnace slag powder is measured in tonnes and that for RMC is measured in cubic meters.

Based on the sales revenue and sales volume as set out above, the average selling price of cement was RMB253 per tonne in 2013 (2012: RMB248 per tonne).

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials, fuel expenses (consisting of coal and electricity costs), employee compensation and benefits, depreciation and amortisation and other overhead costs. In 2013, the Group's cost of sales increased by 3% to RMB5,714.2 million from RMB5,562.2 million for 2012 due to the increase in sales volume of the Group which were partially offset by the decrease in coal cost.

The gross profit for 2013 was RMB1,616.7 million (2012: RMB1,122.0 million), with a gross profit margin of 22% (2012: 17%). The increase in gross profit was mainly attributable to (i) the increase of production capacity and sales volume; (ii) the increase in average selling price of the Company's products; and (iii) the decrease in coal cost compared with that of the previous year.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2013, other income amounted to RMB162.0 million, representing an increase of RMB6.1 million or 4% from RMB155.9 million for 2012. The increase in other income was attributable to the increase in rental income and interest income on held-to-matarity investments during the year.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange gains, recovery of (allowance for) doubtful debts and loss on disposal/write-off of property, plant and equipment. For 2013, other gains and losses amounted to RMB114.0 million, representing an increase of RMB96.9 million or 567% from RMB17.1 million for 2012. The increase in other gains and losses was principally attributable to the increase in foreign exchange gains from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2013, the distribution and selling expenses amounted to RMB369.5 million, representing an increase of RMB37.0 million or 11% from RMB332.5 million for 2012. The increase in distribution costs was attributable to the increase in sales volume of cement products in 2013.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by 1%, from RMB264.3 million to RMB261.6 million. The decrease was attributable to the decrease in the general office expenses.

The 19% decrease in finance costs was mainly due to (i) more borrowing costs capitalised during the year since the construction of two new production lines and (ii) decrease in interest rate.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2013 increased by RMB600.1 million, or 118%, to RMB1,109.0 million from RMB508.9 million for 2012.

Income Tax Expenses

In 2013, income tax expenses increased by RMB160.4 million, or 157%, to RMB262.7 million from RMB102.3 million for 2012. The effective tax rate of the Group for 2012 and 2013 was 20.1% and 23.7% respectively.

Non-controlling Interests

In 2013, non-controlling interests amounted to RMB23.3 million, representing an increase of RMB11.8 million, or 103%, from RMB11.5 million for 2012 primarily due to the increase in profit contribution from Jiangxi Yadong.

Profit for the Year

For 2013, the net profit of the Group amounted to RMB846.3 million, representing an increase of RMB439.7 million or 108% from RMB406.6 million for 2012.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the year ended 31 December 2013. Total assets increased by 11% to approximately RMB17,361.7 million (31 December 2012: approximately RMB15,649.0 million) while total equity grew by 7% to approximately RMB9,477.8 million (31 December 2012: approximately RMB8,883.7 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2013, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB1,996.6 million (31 December 2012: RMB1,660.8 million) of which about 94% was denominated in RMB and about 6% in United States dollars, with the remainder denominated in Hong Kong dollars and Singapore dollars.

Cash Flow

The Group derives its net cash inflow from operations primarily through the receipt of payments for the sale of its cement and concrete products. The Group's cash outflow from operations is used primarily for raw material purchases, payment for fuel and power, distribution costs, staff salaries and interest payments. Cash generated from operating activities increased from RMB1,550.0 million in 2012 to RMB1,792.7 million in 2013. This was mainly due to the increase in profit before tax and trade and other payables.

The Group's cash inflow from investment activities primarily consists of interest income and proceeds from disposal of property, plant and equipment. The Group's cash outflow from investment activities primarily consists of purchases of property, plant and equipment, land use rights and quarry and purchase of held-to-maturity investments. In 2013, the net cash used in investment activities of the Group amounted to RMB1,929.1 million, representing an increase of 179% from RMB692.4 million for 2012. The increase in cash flow by RMB1,236.7 million used in investment activities was primarily attributable to more cash used for the purchase of property, plant and equipment to expand the production capacities of the Group.

In 2013, the net cash from financing activities of the Group amounted to RMB483.8 million. This was primarily due to increase in new borrowings in 2013.

Capital Expenditure

Capital expenditure for the year ended 31 December 2013 amounted to approximately RMB1,692.9 million and capital commitments as at 31 December 2013 amounted to approximately RMB1,131.8 million. Both the capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2013 and 2012 are summarised below:

	As at 31 December			
	2013		2012	
	RMB'000	%	RMB'000	%
Short-term borrowings	3,473,494	50	2,739,881	45
Long-term borrowings	3,482,953	50	3,294,173	55
Currency denomination				
– Renminbi	1,671,095	24	2,251,737	37
– US dollars	5,281,479	76	3,782,317	63
– Hong Kong dollars	3,873	0	–	–
Borrowings				
– secured	–	–	–	–
– unsecured	6,956,447	100	6,034,054	100
Interest rate structure				
– fixed-rate borrowings	586,000	8	586,000	10
– variable-rate borrowings	6,370,447	92	5,448,054	90
Interest rate				
– fixed-rate borrowings	2.95%		2.95%	
– variable-rate borrowings	90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–2.6%		90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–3.5%	

As at 31 December 2013, the Group had unutilised credit facilities in the amount of RMB3,960 million.

As at 31 December 2013, the Group's gearing ratio was approximately 45% (31 December 2012: 43%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2013 and 2012 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2013.

Contingent Liabilities

As at the date of this report and as at 31 December 2013, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2013, the Group had 4,096 employees. The Group participates in retirement insurance, medicare, unemployment insurance and housing funds scheme according to the applicable laws and regulations of the PRC for its employees in the People's Republic of China ("PRC") and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

In addition, the Group also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, under which eligible directors and employees are entitled to various share options to subscribe for the ordinary shares in the Company in accordance with their past and potential contribution to the growth of the Group. As at 31 December 2013, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme and no share options have been exercised to date. Also, as at 31 December 2013, no share options have been granted or agreed to be granted pursuant to the Share Option Scheme.

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any significant investment, material acquisitions or disposals during 2013.

Foreign Exchange Risk Management

The Group's sales and purchases during the reporting period were mostly denominated in Renminbi. However, some of the Group's bank borrowings were denominated in foreign currencies.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally as well as the demand and supply of RMB. The appreciation or devaluation of RMB against foreign currencies may have an impact on the operating results of the Group.

The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

2. BUSINESS PROSPECTS

2014 is the fourth year of China's "12th Five-Year Plan". It is also the most crucial year for the full completion of the Plan. The central government will continue to maintain continuity and stability of its macro-economic policies in order to vitalize the market, deepen reforms, push ahead with the "new urbanization", implement measures to enhance the quality of economic growth, and ensure social harmony and stability. The national economy is expected to sustain a stable yet rapid growth, with full year economic growth rate reaching 7.5% and a 17.5% increase in fixed asset investments.

Looking into 2014, on the supply side, China is expected to have 100 million tonnes new production cement capacities, which will mainly be released from delayed construction projects from the past two years. However, supply pressure is expected to be less severe than past years. The haze disaster happened in 2013 has accelerated the government's action in closing down inefficient and obsolete cement plants. The government's relentless measures include the following: first, the State Council took back the power to approve cement investment projects previously devolved to provincial governments, and requested provincial governments to follow policy standards to strictly control new capacity; second, the Ministry of Environmental Protection announced the "Air pollutants emission standards for cement industry", which was regarded as "the most stringent in history". These standards will force a large number of unqualified enterprises to leave the market; third, PC32.5 grade cement output will gradually reduce, with the category eventually be abolished. The Ministry of Housing and Urban-Rural Development is also escalating the promotion of high-performance concrete. The introduction of complementary policies will help accelerate the abolishment of low grade cement, while small grinding mills will also be forced to exit the market. The abovementioned measures will further optimize industry structure through a more optimum capacity level and supply-demand balance, thereby benefiting the overall cement industry. As the Group has always been adopting high environmental standards, it will benefit from these policies. On the demand side, due to massive wave of new urbanization sweeping across the country, fixed asset investments and property investments will continue to be stable, while infrastructure investment prospects remain promising. Within the industry, it is generally thought that cement demand in 2014 will increase by 6% to 7%. Although the growth rate is lower than 11% of 2013, it is still a relatively high growth rate. All in all, the management believes that in 2014, growth in demand will remain stable, while supply is likely to grow at a slower pace or stay at the same level. As such, the outlook for the cement industry is positive.

The Group will follow closely government's reforms, and actively implement measures in compliance with the State's environmental policies. The Group will reduce energy consumption, lower costs, as well as make constant improvement in operations in order to enhance its overall competitiveness. After the inauguration of Jiangxi Yadong No. 6 (with a daily clinker production capacity of 6,000 tonnes) in January 2014, the Group's scale of production, transportation and sales has exceeded 30 million tonnes per annum. Upon the completion of a silo and ancillary facilities in Taizhou in August 2014, the Group's sales network can be further extended to overseas markets, which will increase its flexibility in adjusting sales strategy, thereby enabling it to achieve full disposal of all output. In addition, the Group will continue to seek opportunities to further expand and strengthen its existing operation and efficiency. The Group aims at achieving the target of a 40 million tonnes annual production capacity in 2015 and 50 million tonnes in 2016. Judging from the Group's balanced development in recent years, the management is confident in meeting the targets of 50 million tonnes annual production capacity target and enlisting among the top 10 industry players, as well as achieving steady profit growth for the Company.

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices to safeguard the interests of the Company's shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2013, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. Nevertheless, the Board will review this arrangement from time to time in light of the prevailing circumstances and arrange for appropriate insurance coverage as soon as practicable.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu, Zhen-tao and Mr. Lei, Qian-zhi, the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 22 May 2013 as they were out of town for other businesses.

MODEL CODE FOR SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions.

The Board has a balanced composition of executive and non-executive Directors to ensure independent viewpoints in all discussions. The Board currently comprises eleven Directors, including six executive Directors, one non-executive Director and four independent non-executive Directors. Board members are listed below:

Executive Directors

Mr. CHANG, Tsai-hsiung *(Vice Chairman)*
Dr. WU, Chung-lih *(Chief Executive Officer)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang
Mr. HSU, Shu-ping (appointed on 13 March 2014)

Non-executive Director

Mr. HSU, Shui-tong *(Chairman)*

Independent non-executive Directors

Mr. LIU, Zhen-tao
Mr. LEI, Qian-zhi
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

Mr. HSU, Shu-ping has been appointed as an executive Director of the Company on 13 March 2014.

Biographical information of the Directors is set forth on pages 27 to 29 of this annual report.

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 27 April 2011, and Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2014, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. To ensure a balance of power and authority, the Company has appointed Mr. HSU, Shu-tong as Chairman and Dr. Wu, Chung-lih as Chief Executive Officer.

The Chairman of the Board has held a meeting with the Non-executive Director (including Independent Non-executive Directors) of the Company during the year.

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and five meetings were held in 2013. Regular board meetings are usually scheduled at the beginning of the year to give all directors adequate time to plan their schedules to attend. Directors will normally receive at least 14 days' prior written notice of regular board meetings and an agenda. The Board resolutions, including supporting analysis and relevant background information, are normally sent to all Directors at least three days before the Board meeting. For other Board meetings, Directors are given as much notice as possible in the circumstances.

The table below sets out the details of Board meeting attendance of each Director in 2013.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	5/5
Mr. CHANG, Tsai-hsiung	5/5
Dr. WU, Chung-lih	5/5
Madam CHIANG SHAO, Ruey-huey	5/5
Mr. CHANG, Chuen-kuen	5/5
Mr. LIN, Seng-chang	5/5
Mr. LIU, Zhen-tao	5/5
Mr. LEI, Qian-zhi	5/5
Mr. TSIM, Tak-lung Dominic	5/5
Dr. WONG, Ying-ho Kennedy	5/5

The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests due to a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association (the "Articles") also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

According to Article 86 of the Articles, all Directors appointed to fill a casual vacancy should be subject to re-election by the shareholders at the first general meeting after their appointment and all Directors appointed as an addition to the existing Board should be subject to re-election by the shareholders at the next following annual general meeting after their appointment. According to Article 87 of the Articles, one-third of the Directors shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

The Non-executive Director is engaged on an appointment letter for a term of three years and shall be subject to retirement by rotation once every three years.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his first appointment in order to enable he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors.

During the year, the Company received training records from all Directors relevant to the Company's business or to Directors' duties and responsibilities.

The individual training record of each Director received for financial year ended 31 December 2013 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. CHANG, Tsai-hsiung	A and B
Dr. WU, Chung-lih	A and B
Madam CHIANG SHAO, Ruey-huey	A and B
Mr. CHANG, Chuen-kuen	A and B
Mr. LIN, Seng-chang	A and B
Non-executive Director	
Mr. HSU, Shu-tong	A and B
Independent non-executive Directors	
Mr. LIU, Zhen-tao	B
Mr. LEI, Qian-zhi	B
Mr. TSIM, Tak-lung Dominic	B
Dr. WONG, Ying-ho Kennedy	A and B

Notes:

A: attending briefings/seminars/forums/workshops/conference relevant to the business or directors' duties

B: reading regulatory updates on laws, rules and regulations relating to directors' roles and functions

AUDIT COMMITTEE

During the year under review, the primary responsibilities carried out by the Audit Committee include:

– making recommendations to the Board on the appointment, reappointment and removal of the external auditors, as well as approving the remuneration and terms of engagement of the external auditors;

– reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– monitoring the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports; and

– overseeing the Company's financial reporting system and internal control procedures, including but not limited to, review of financial control, internal control and risk management systems, consideration of actions to be taken in respect of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

The Audit Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are independent non-executive Directors. The Audit Committee is chaired by Mr. TSIM, Tak-lung Dominic.

Two meetings were held in 2013 and all members attended the meetings.

A set of written terms of reference, which described the authority and duties of the Audit Committee, was adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Audit Committee adopted by the Board are available on the Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION COMMITTEE

During the year under review, the primary responsibilities carried out by the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;
- determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;
- reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are Independent non-executive Directors. The Remuneration Committee is chaired by Dr. WONG, Ying-ho Kennedy.

One meeting was held in 2013 and all members attended the meeting.

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was adopted by the Board on 16 March 2012 and the contents of which are in compliance with the CG Code. The said terms of reference of the Remuneration Committee adopted by the Board are available on the Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure by name, amount and type in note 14 to the financial statements.

The remuneration of the members of senior management by bands in 2013 is set out below:

Remuneration bands	Number of individuals
RMB500,001-RMB1,000,000	5
RMB1,000,001-RMB1,500,000	1

INDEPENDENCE COMMITTEE

During the year under review, the primary responsibilities carried out by the Independence Committee include:

- reviewing all transactions between the Group, Asia Cement Group and Far Eastern Group to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and to recommend to the Board the corrective measures in such transactions if needed or not to proceed with such transactions;
- establishing, where applicable, guidelines for management to follow in its ongoing transactions between the Group, Asia Cement Group and Far Eastern Group;
- reviewing and assessing ongoing relationships between the Group, Asia Cement Group and Far Eastern Group to ensure compliance with the Committee's guidelines established as aforesaid and to ensure the continuation of such relationship remains fair to the Group; and
- analyzing and assessing any potential conflict of interests between the Group, Asia Cement Group and Far Eastern Group.

The Independence Committee comprises Mr. TSIM, Tak-lung Dominic, Dr. WONG, Ying-ho Kennedy and Mr. LIU, Zhen-tao who are Independent non-executive Directors. The Independence Committee is chaired by Mr. LIU, Zhen-tao.

One meeting was held in 2013 and all members attended the meeting.

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict was identified during the year.

NOMINATION COMMITTEE

The Nomination Committee comprises Mr. HSU, Shu-tong who is a non-executive Director and Mr. TSIM, Tak-lung Dominic and Dr. WONG, Ying-ho Kennedy who are independent non-executive Directors. The Nomination Committee is chaired by Mr. HSU, Shu-tong. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. A set of written terms of reference, which described the authority and duties of the Nomination Committee, was amended and adopted by the Board on 1 September 2013 and the contents of which are in compliance with the CG Code. The said terms of reference of the Nomination Committee adopted by the Board are available on the Stock Exchange website at www.hkexnews.hk and on the Company's website at www.achc.com.cn.

To comply with the new provisions in the CG Code on board diversity which became effective on 1 September 2013, the nomination committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. of the Board members. The Nomination Committee will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

One meeting was held in 2013 as there was no change to the directorships of the Company during the year and all members attended the meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

(i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations;

(ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

(v) reviewing the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the year under review, the Board approved the revised terms of reference of the Nomination Committee of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors also ensure that the financial statements of the Group are published in a timely manner. The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set forth in the Independent Auditor's Report on page 42 of this annual report.

EXTERNAL AUDITORS

The Group appointed Messrs. Deloitte Touche Tohmatsu as the Group's principal external auditors. The acknowledgement of their responsibilities on the financial statements is set forth in the Independent Auditor's Report on page 42 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2013 is as follows:

	2013 RMB'000
Audit services	4,830
Non-audit services	–
Total	4,830

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board, together with the Group's internal audit department and management, conduct reviews of the effectiveness of the Company's system of internal control, including those of its subsidiaries. The Audit Committee reviews the findings and opinion of the Group's internal audit department and management on the effectiveness of the Company's system of internal control, and reports to the Board on such reviews. In respect of the year ended 31 December 2013, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

The internal audit division of the Group should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The main functions of the internal audit division are to audit the operating efficiencies of each of the operating units, to carry out audit upon resignation of any key management personnel, to assist Board in reviewing the effectiveness of the internal control system of the Group and to review internal controls of business processes and project based auditing. Evaluation of the Group's internal controls covering financial, operational compliance controls and risk management functions had been done on an ad hoc basis.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including Independent Non-executive Directors), senior management and external auditor shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the Stock Exchange.

In accordance with the articles of association of the Company, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company at 11/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in the guidelines entitled "Procedures for Shareholders to Propose a Person for Election as a Director" on the Company's website at www.achc.com.cn.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all Executive Directors, Independent Non-executive Directors, and the Chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Board adopted a shareholders' communication policy on 16 March 2012 to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The annual general meeting of 2013 ("2013 AGM") was held on 22 May 2013. The notice of the 2013 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2013 AGM.

The attendance record of the directors at the general meetings is set out below:

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. CHANG, Tsai-hsiung	1/1
Dr. WU, Chung-lih	1/1
Madam CHIANG SHAO, Ruey-huey	1/1
Mr. CHANG, Chen-kuen	1/1
Mr. LIN, Seng-chang	1/1
Non-executive Director	
Mr. HSU, Shu-tong	1/1
Independent Non-executive Directors	
Mr. LIU, Zhen-tao	0/1
Mr. LEI, Qian-zhi	0/1
Mr. TSIM, Tak-lung Dominic	1/1
Dr. WONG, Ying-ho Kennedy	1/1

The Company's external auditor also attended the 2013 AGM.

To promote effective communication, the Company maintains a website at http://www.achc.com.cn, where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

The Group believes that investor relations are important to a listed company to enhance its transparency and corporate governance. During the year, the executive Directors and senior management of the Group have maintained sound communications with the investment community by actively participating in various investor-related activities and meetings. On these occasions, the Group's investor relations representatives introduced the Group's strengths and growth strategies in order to gain support and recognition from the market and investors. Investors are welcome to share their views with the Board by writing to the Company at its Hong Kong headquarters or sending enquiries to the Company's website at www.achc.com.cn.

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

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During 2013, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules. He will continue to comply with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

Directors and Senior Management

DIRECTORS

The Company has six executive Directors, one non-executive Director and four independent non-executive Directors. Their details are set out below:

NON-EXECUTIVE DIRECTORS

Mr. HSU, Shu-tong (徐旭東), aged 72, is the chairman of the Group. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the chairman and CEO of Far Eastern Group, one of the largest and most diversified conglomerates based in Taiwan. It comprises 241 companies extending into China with operations in countries including Canada, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 57,000, and in 2012, it has total assets of US$66.8 billion and annual revenues of US$21.9 billion. The Group has nine public companies, which are leaders in their respective fields including Petrochemicals & Energy; Textile & Polyester Fiber; Cement/Building Material; Sea/Land Transportation; Financial Services; Construction; Telecommunications; Retail/Department Stores and Hotels. Family Foundations encourage social responsibilities and include the establishment of Taiwan's leading technical institute, private university, and hospital. Mr. HSU is also the chairman of Far Eastern New Century Corporation, U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co. Ltd. and Asia Cement Corporation, the vice chairman of Far Eastern International Bank and a director of Everest Textile Co. Ltd., which are listed in Taiwan.

Outside Far Eastern Group, Mr. HSU's professional and other affiliations in prominent organizations include: Director of MasterCard Asia/Pacific Regional Advisory Board, Prudential/Asia Pacific Fund, Chung-Hua Institution for Economic Research, the Straits Exchange Foundation, Chiang Ching-kuo Foundation for International Scholarly Exchange; Member of Asia Business Council, Trustee Member of University of Notre Dame, Asian Cultural Council; Board Member of National Cultural & Arts Foundation, Chairman of Sino-American Asian Cultural Foundation, former President of International Textile Manufacturers Federation (ITMF), former Co-Chair of Nature Conservancy Asia Pacific Council, and former Consultant to Chinese Taipei Olympic Committee.

Mr. HSU graduated from the University of Notre Dame, IN (BA, MA) with post-graduate studies in economics at Columbia University, NY in the US. Since 2002 he holds an honorary doctorate of management from National Chiao Tung University in Taiwan.

Mr. HSU is brother of Mr. HSU, Shu-ping, executive Director of the Company.

EXECUTIVE DIRECTORS

Mr. CHANG, Tsai-hsiung (張才雄), aged 90, is an executive Director and the vice chairman of the Group. Mr.CHANG's primary responsibilities include formulating and implementing the overall business strategies as well as planning and overseeing the entire operation of the Group in the PRC. Mr. CHANG is also an executive director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1963 and joined the Group in October 1997. Mr. CHANG has more than 40 years of experience in the cement industry in both Taiwan and the PRC.

Dr. WU, Chung-lih (吳中立), aged 64, is an executive Director, the chief executive officer, the chief administrative officer and the compliance officer of the Group. Ever since Dr. WU has been promoted to the position of CEO on September 1, 2011, he becomes responsible for all the top management work, including the previous duty of general administrative affairs. Dr. WU is also an independent non-executive director of Arima Optoelectronic Corporation which is a company listed in Taiwan. Dr. WU has extensive work experience in Taiwan and the United States. He was a senior official of the Taiwan central government for the period from 1989 to 2000, and had been a teaching and research fellow in various universities in Taiwan and the United States for 15 years, specializing in the areas of health economics, econometrics, public finance, economics of education and analysis of economic policy. Dr. WU joined the Eastern Multimedia Group in May 2000 and served as the chief executive officer and the president of Eastern Multimedia Company from June 2001 to February 2005. Dr. WU joined the Group in August 2005 and he holds a PhD degree in economics from the State University of New York at Albany.

Madam CHIANG SHAO, Ruey-huey (邵瑞蕙), aged 66, is an executive Director and the chief financial officer of the Group. Madam SHAO has more than 40 years experience of financial management, planning and information system management in the cement industry. Madam SHAO is also a director of China Hi-Ment Corporation and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Madam SHAO joined Asia Cement Group in 1970 and joined the Group in October 1997. Madam SHAO graduated from the Soochow University in Taiwan in 1970 with a bachelor degree in accountancy.

Mr. CHANG, Chen-kuen (張振崑), aged 66, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 46 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 70, is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

Mr. HSU, Shu-ping (徐旭平), aged 68, is an executive Director of the Company since 13 March 2014. Mr. HSU's principal responsibilities involve formulating the overall business strategy of the Group in China. Mr. HSU is also the vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and Far EasTone Telecommunications Co. Ltd and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU, Zhen-tao (劉震濤), aged 76, has served as an independent non-executive Director of the Company since April 2008. Mr. LIU is a director of the Institute of Taiwan Studies of the Tsinghua University in the PRC, a council member of Taiwan Affairs Office of the State Council of the PRC, and a leader of an advisory expert group for cross-strait industrial cooperation by Department of Utilisation of Foreign Investment and Overseas Investment of National Development and Reform Commission of China and Economic Services Bureau of Taiwan Affairs Office of the State Council of China. Mr. LIU has over 25 years experience of teaching and research while serving as the deputy director of the Automatisation Department and the Technology Development of the Tsinghua University from September 1960 to June 1986. He then served as the deputy secretary of the Foreign Loans Bureau and the Department of Foreign Capital Utilization of the former State Planning Commission, currently known as the NDRC, from June 1986 to April 1989, and as the secretary of the Economy Bureau of the State Council's Taiwan Affairs Office and the head of the Taiwan Affair Office of the State Planning Commission from April 1989 to April 1998. From October 1998 to October 2003, Mr. LIU was the vice president of the Association for Relations across the Taiwan Strait. Mr. LIU was the vice-president of the China Industrial Overseas Development & Planning Association from October 2003 to October 2012. Mr. LIU graduated from the power mechanical engineering department of the Tsinghua University, China in July 1960.

Mr. LEI, Qian-zhi (雷前治), aged 72, has served as an independent non-executive Director of the Company since April 2008. Mr. LEI is a professor engineer. He is the honorary president of the China Cement Association. Mr. LEI has over 40 years experience of engineering and cement enterprise management. He served as a technician, an engineer, a workshop head and a factory director of Guizhou Shuicheng Cement Plant from January 1970 to April 1986. He also has over 22 years of experience of administrative management of local and national governments relating to the building materials industry. Mr. LEI was the president of Guizhou Province Building Materials Bureau from March 1986 to January 1991, and he served as a deputy department manager of the National Building Materials Industry Bureau from January 1991 to February 2001. Mr. LEI was the president of the China Cement Association and the vice president of China Building Material Industry Association from February 2001 to November 2013. Mr. LEI obtained a bachelor degree in Portland Cement from Nanjing Chemistry Institution in 1968.

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 67, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, LLD, DCL, JP, aged 51, has served as an independent non-executive Director of the Company since April 2008. Dr. WONG is a solicitor of the High Court of Hong Kong, China Appointed Attesting Officer and a director of the China Law Society. Dr. WONG is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. WONG is a National Committee Member of the Chinese People's Political Consultative Conference. Dr. WONG is the chairman of **Hong Kong Resources Holdings Company Limited, and also a director of Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, and **Shanghai Industrial Urban Development Group Limited. Dr. Wong was the executive deputy chairman of **Raymond Industrial Ltd. and also a director of **Capinfo Company Limited, **Coastal Realty Group Limited, **Computime Group Limited, **Great Wall Cybertech Limited, **Great Wall Technology Company Limited, **Qin Jia Yuan Media Services Company Limited, **International Financial Network Holdings Ltd. and **i-Steel Asia Holdings Limited. Dr. WONG is also a member of the Election Committee of Hong Kong responsible for electing Hong Kong's Chief Executive. Dr. WONG has served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and then one of the Ten Outstanding Young Persons of the World in 2003.

SENIOR MANAGEMENT

Mr. FANG, Lu-hsing (方履興), aged 62, is the deputy chief administrative officer of the Group. Mr. FANG is primarily responsible for assisting the chief administrative officer to oversee the general administrative affairs of the Group. Mr. FANG has over 30 years of experience of management in the cement industry. Mr. FANG graduated from the National Chung Hsing University in Taiwan majoring in accounting. Mr. FANG joined Asia Cement in May 1978 and joined the Group in December 1997.

Mr. WONG, Liang-shih (王亮石), aged 63, is the associate of the united procurement department of the Group and the purchasing manager of Southeastern region. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has over 30 years of experience of procurement management in the cement industry. Mr. WONG graduated from the Tamkang University in Taiwan majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 58, is the associate of the treasury department and the manager of the accounting and finance department of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LEE, Shaw-shan (李紹先), aged 59, is the manager of the quality control and research and development department of the Group. Mr. LEE is primarily responsible for the production quality control and technology and research and development of the Group. Mr. LEE has over 30 years of experience of engineering in the cement industry. Mr. LEE graduated from the Tamkang University in Taiwan with a bachelor degree in chemistry engineering in 1977 and from the Pennsylvania State University with a master degree in science in 1986. Mr. LEE joined Asia Cement in February 1981 and joined the Group in May 1998.

Mr. KAO, Ming-yu (高銘佑), aged 64, is the manager of mining operation department of the Group. Mr. KAO is primarily responsible for managing the operation of mines of the Group. Mr. KAO has over 30 years of experience of mining in the cement industry. Mr. KAO graduated from the National Cheng Kung University in Taiwan with a bachelor degree in mining. Mr. KAO joined Asia Cement in August 1974 and joined the Group in December 1997.

Mr. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 40, is the company secretary and one of the authorized representatives of the Company. He has over 17 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as the vice president of finance and accounting of **CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

** *companies listed on The Stock Exchange of Hong Kong Limited*

Directors' Report

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group's principal business activities are manufacture and sales of cement, concrete and related products. The activities of the principal subsidiaries are set out on pages 110 to 113 of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 43.

The Directors recommended the payment of a final dividend of RMB15 cents per ordinary share, totaling RMB233,437,500 in respect of the year to shareholders on the register of members on 24 April 2014. The proposed final dividend for the year ended 31 December 2013 has been approved at the Company's Board meeting on 13 March 2014. Details of the dividends for the year ended 31 December 2013 are set forth in note 15 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 April 2014 to Wednesday, 16 April 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 16 April 2014 ("2014 AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Center, 28 Queen's Road East, Wan Chai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) by not later than 4:30 p.m. on Tuesday, 8 April 2014.

Subject to the approval of shareholders at the 2014 AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 24 April 2014 being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Center, 28 Queen's Road East, Wan Chai, Hong Kong (New Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:30 p.m. on Thursday, 24 April 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set forth in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,049.2 million. The amount of approximately RMB3,049.2 million includes the Company's share premium account of approximately RMB3,376.6 million and accumulated losses of approximately RMB327.4 million in aggregate as at 31 December 2013, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB0.2 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movement of property, plant and equipment of the Group, during the year in the fixed assets are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 39 and 42 to the financial statements, respectively and in the section headed "Share Option Schemes" in the Directors' Report.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major suppliers and customers during the year are set out below:

— Aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the total purchase of the Group in both the years of 2012 and 2013.
— Aggregate sales attributable to the Group's five largest customers were less than 30% of the total turnover of the Group in both the years of 2012 and 2013.
— At no time during the year did any Director or any shareholder of the Company have an interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by the Group during the year ended 31 December 2013 are set out in Note 44 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions as defined under the Listing Rules.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. CHANG, Tsai-hsiung *(Vice Chairman)*
Dr. WU, Chung-lih *(Chief Executive Officer)*
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang
Mr. HSU, Shu-ping (Appointed on 13 March 2014)

Non-executive Director

Mr. HSU, Shu-tong *(Chairman)*

Independent non-executive Directors

Mr. LIU, Zhen-tao
Mr. LEI, Qian-zhi
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

In accordance with the provisions of the Company's articles of association, one third of the Directors for the time being shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Also, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. A circular containing the explanatory statement on repurchase by the Company of its shares, the biographical details of the director candidates eligible for re-election and the notice of annual general meeting will be sent to shareholders of the Company.

Mr. HSU, Shu-tong, Chairman and Non-executive Director of the Company and Mr. HSU, Shu-ping, executive Director of the Company are brothers.

Saved as disclosed above, none of the directors has any financial, business, family or other material/relevant relationships with one another.

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 27 to 30 of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE COMPANY

Details of the emoluments of the directors and the five highest paid individuals of the Company in 2013 are set in note 14 to the financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No significant contract, to which the Company, its holding company, its controlling shareholder, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years commencing on 27 April 2011, and Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2014, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Group within one year without payment of compensation, other than normal statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent non-executive Directors meet the independence guideline set forth in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Schemes" below, at no time during the year was the Company, or any of its holding company or subsidiaries, a party to any arrangements to enable the Directors or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of ordinary shares			% of the Company's issued shares
	Personal interests	Equity derivatives (Note 1)	Total interests	
Mr. Chang, Tsai-hsiung	120,000	1,500,000	1,620,000	0.10%
Mr. Wu, Chung-lih	–	400,000	400,000	0.03%
Madam Chiang Shao, Ruey-huey	150,000	400,000	550,000	0.04%
Mr. Hsu, Shu-tong	–	3,000,000	3,000,000	0.19%
Mr. Chang, Chen-kuen	30,000	400,000	430,000	0.03%
Mr. Lin, Seng-chang	–	400,000	400,000	0.03%

Note:

1. *This represented interests in option granted to Directors under the Pre-IPO Share Option Scheme to subscribe for shares of the Company, further details of which are set forth under the section headed "Share Option Schemes" to this report.*

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	450,344	59,684	–	510,028	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	75,109	2,395	–	77,504	0.002%
	Oriental Industrial	1,000	–	–	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	22,821,897	7,965,032	–	30,786,929	0.93%
	Asia Cement (Singapore) Private Limited ("Asia Cement Singapore")	2	–	–	2	0.00002%
	Oriental Industrial	4,000	–	–	4,000	0.0007%
Mr. Chang, Chen-kuen	Asia Cement	11,645	5,253	–	16,898	0.0005%
Mr. Lin, Seng-chang	Asia Cement	7,257	467	–	7,724	0.0002%

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 December 2013 and to the best knowledge of the Directors and chief executives of the Company, persons (other than Directors or chief executives of the Company) who had an interest or short position, in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in Shares

Substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of holding
Asia Cement *(Note 1)*	Beneficial owner and interest by attribution	1,136,074,000	73.00%

Note:

1. *Asia Cement beneficially owns approximately 68.19% interest of the Company. Asia Cement Singapore holds approximately 4.10% interest in the Company, which is approximately 99.96% owned by Asia Cement. Asia Cement is deemed to be interested in approximately 4.10% interest of the Company by virtue of its corporate interest in Asia Cement Singapore. Further, Falcon Investments Private Limited holds approximately 0.71% interest in the Company and is owned as to 100% by U-Ming Marine Transport (Singapore) Private Limited, which is in turn owned as to 99.99% by U-Ming Marine Transport Corporation. U-Ming Marine Transport Corporation is owned as to 38.66% by Asia Cement. Asia Cement is deemed to be interested in approximately 0.71% interest of the Company under the SFO.*

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who also had interests or short positions on the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme adopted on 13 December 2007, the Company has granted certain options to eligible directors, senior management and employees of the Group (the "Pre-IPO Share Option Scheme") to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 85% of the final offer price to the public. The Pre-IPO Share Option Scheme will remain in force for a period of 6 years from the grant date.

At 31 December 2013, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, and no such share options have yet been exercised. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$4.2075 per share. The holders of the said share options may exercise options pursuant to the following schedules of vesting period and percentage:

(i) The employee of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 2 years	30%
Attaining 3 years	60%
Attaining 4 years	80%
Attaining 5 years	100%

(ii) The director of the Group

Period that the share options can be exercised after the share options are granted	Maximum accumulated percentage of share options exercisable
Attaining 1 year	33.3%
Attaining 2 years	66.6%
Attaining 3 years	100%

(iii) An eligible person who is neither the employee nor the director of the Group may exercise the share options after 6 months from the date on which the share options are granted to him.

Details of the share options outstanding as at 31 December 2013 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2013	Granted during the year	Options exercised during the year	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 2013
Directors							
Mr. Chang, Tsai-hsiung	17 April 2008	1,500,000	–	–	–	–	1,500,000
Mr. Wu Chung-lih	17 April 2008	400,000	–	–	–	–	400,000
Madam Chiang Shao, Ruey-huey	17 April 2008	400,000	–	–	–	–	400,000
Mr. Hsu, Shu-tong	17 April 2008	3,000,000	–	–	–	–	3,000,000
Mr. Chang, Chen-kuen	17 April 2008	400,000	–	–	–	–	400,000
Mr. Lin, Seng-chang	17 April 2008	400,000	–	–	–	–	400,000
Other employees	17 April 2008	5,478,000	–	–	–	–	5,478,000
		11,578,000	–	–	–	–	11,578,000

(b) Share Option Scheme

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable to the Company and its subsidiaries to recruit and retain high-calibre employees.

The Directors may, at their discretion, offer eligible persons (being full time or part time employees, executive directors, non-executive directors and independent non-executive directors or consultant of the Group or any person whom the Board considers, in its sole discretion, has contributed or contributes to the Group) who the Board may in its absolute discretion select to subscribe the shares.

Initially the maximum number of shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate number of the shares in issue as at the date of the Listing. The total number of shares which may be issued upon exercise of all the options granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the aggregate number of the shares in issue from time to time.

Unless approved by shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the Share Option Scheme or any other share option scheme adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) in any 12 month period must not exceed 1% of the shares in issue as at the date of grant.

The vesting periods, exercise periods and vesting conditions maybe specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of grant.

At the time of the grant of the options, the Company may specify any performance target(s) which must be achieved before the options can be exercised. The Share Option Scheme does not contain any performance targets.

The amount payable by a grantee on acceptance of a grant of options is HK$1.00. The subscription price for the shares of the Company being the subject of the options shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The Share Option Scheme will expire on 26 April 2018. No options have been granted under the Share Option Scheme as at 31 December 2013, or as at the date of this Annual Report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department of the Group on the basis of their merits, qualifications and competence.

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's operating results, individual duties and performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2013.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

NON-COMPETITION UNDERTAKING

Save as disclosed in the section headed "Relationship with Asia Cement" and "Connected Transactions" in the Prospectus, no additional ongoing relationships or potential conflict of interests was identified during the year. Besides, the independent non-executive Directors have conducted an annual review on the compliance of Non-Competition Agreement (as defined in the Prospectus) that entered by Asia Cement and Far Eastern Textile. No violation of the undertakings as stipulated in the Non-Competition Agreement was found.

LONG TERM RECEIVABLES

Details of long term receivables from the Ruichang City Government and the Wuhan City Government are set out in note 36 to the financial statements.

Receivable from the Ruichang City Government

During 2013, the outstanding balance of 6.56 million had been fully repaid by the Ruichang City Government. The repayment has been made in cash of RMB1.0 million and through offsetting a payable of RMB5.56 million to Ruichang City Government regarding the re-location of citizens in the surrounding area of the construction land of Jiangxi Ya Dong's plant.

Receivable from the Wuhan City Government

During 2013, RMB10 million had been repaid by Wuhan City Government, RMB8 million of which was related to the repayment of receivable that Asia Cement has provided an indemnity in respect of its loss. Beside, RMB4 million had been repaid by Wuhan City Government in January 2014, RMB2 million of which was related to the repayment of receivable that Asia Cement has provided an indemnity in respect of its loss.

The Directors are of the view that since Hubei Yadong is expected to continue operation and remain profitable, it will have positive tax obligation. As such, the Directors expect that, through (i) the continual repayments made by Wuhan City government and (ii) offsetting 50% of certain taxes, the Directors consider that these advances will be fully recoverable by 2015.

The independent non-executive Directors concluded that no claim under the indemnity provided by Asia Cement is necessary for 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public, as at the date of this report.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
HSU Shu-tong
Chairman

13 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF ASIA CEMENT (CHINA) HOLDINGS CORPORATION
亞洲水泥(中國)控股公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Asia Cement (China) Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 118, which comprise the consolidated statement of financial position as at 31 December 2013, and the 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 International Financial Reporting Standards 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	**7,330,818**	6,684,149
Cost of sales		**(5,714,167)**	(5,562,181)
Gross profit		**1,616,651**	1,121,968
Other income	9	**161,952**	155,941
Other gains and losses	10	**113,988**	17,125
Distribution and selling expenses		**(369,503)**	(332,547)
Administrative expenses		**(261,604)**	(264,253)
Finance costs	11	**(157,998)**	(194,731)
Share of profit of a joint venture		**3,600**	4,047
Share of profit of an associate		**1,938**	1,377
Profit before tax		**1,109,024**	508,927
Income tax expense	12	**(262,720)**	(102,321)
Profit for the year	13	**846,304**	406,606
Other comprehensive income (expense) for the year Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sales investment		**379**	–
Fair value gain (loss) on a hedging instruments in cash flow hedges		**4,239**	(2,767)
Total comprehensive income for the year		**850,922**	403,839
Profit for the year attributable to:			
Owners of the Company		**823,010**	395,123
Non-controlling interests		**23,294**	11,483
		846,304	406,606
Total comprehensive income for the year attributable to:			
Owners of the Company		**827,628**	392,356
Non-controlling interests		**23,294**	11,483
		850,922	403,839
		RMB	RMB
Earnings per share	16		
Basic		**0.529**	0.254
Diluted		**0.529**	0.254

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**10,313,948**	9,380,366
Quarry	*18*	**202,355**	214,909
Prepaid lease payments	*19*	**584,415**	582,957
Goodwill	*20*	**138,759**	138,759
Other intangible assets	*21*	**9,726**	13,981
Interest in a joint venture	*22*	**31,691**	28,891
Interest in an associate	*23*	**16,920**	14,982
Held-to-maturity investments	*24*	**–**	126,225
Restricted bank deposits	*32*	**25,840**	25,840
Deferred tax assets	*35*	**27,015**	20,761
Long term receivables	*36*	**35,925**	48,326
Long term prepaid rental	*37*	**25,094**	11,091
		11,411,688	10,607,088
CURRENT ASSETS			
Inventories	*25*	**714,262**	757,090
Long term receivables – due within one year	*36*	**28,697**	12,861
Trade and other receivables	*26*	**2,722,117**	2,560,160
Held-for-trading investments	*27*	**–**	55,143
Available-for-sales investments	*28*	**99,690**	–
Prepaid lease payments	*19*	**17,764**	17,080
Loan to a related company	*29*	**391,421**	–
Amount due from an associate	*29*	**5,297**	4,614
Restricted bank deposits	*32*	**3,258**	14,814
Bank balances and cash	*32*	**1,967,521**	1,620,114
		5,950,027	5,041,876
CURRENT LIABILITIES			
Trade and other payables	*33*	**783,419**	660,156
Amounts due to non-controlling interests	*30*	**–**	2,043
Amount due to a joint venture	*29*	**6,865**	8,267
Tax payables		**103,117**	26,132
Borrowings – due within one year	*34*	**3,473,494**	2,739,881
		4,366,895	3,436,479
NET CURRENT ASSETS		**1,583,132**	1,605,397
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,994,820**	12,212,485

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*34*	**3,482,953**	3,294,173
Derivative liabilities	*31*	**6,300**	10,539
Deferred tax liabilities	*35*	**18,692**	18,093
Provision for environmental restoration	*38*	**9,052**	6,000
		3,516,997	3,328,805
NET ASSETS		**9,477,823**	8,883,680
CAPITAL AND RESERVES			
Share capital	*39*	**139,549**	139,549
Reserves		**9,095,800**	8,461,660
Equity attributable to owners of the Company		**9,235,349**	8,601,209
Non-controlling interests		**242,474**	282,471
TOTAL EQUITY		**9,477,823**	8,883,680

The consolidated financial statements on pages 43 to 118 were approved and authorised for issue by the Board of Directors on 13 March 2014 and are signed on its behalf by:

CHANG, TSAI-HSIUNG
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company											
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(note a)*	Other reserves RMB'000 *(note b)*	Special reserves RMB'000 *(note c)*	Share option reserve RMB'000	Hedging reserve RMB'000 *(note e)*	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Attributable to non-Share controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	139,549	3,376,570	557,621	286,038	1,673,893	22,134	(7,772)	–	2,425,002	8,473,035	250,598	8,723,633
Profit for the year	–	–	–	–	–	–	–	–	395,123	395,123	11,483	406,606
Other comprehensive expense for the year	–	–	–	–	–	–	(2,767)	–	–	(2,767)	–	(2,767)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(2,767)	–	395,123	392,356	11,483	403,839
Appropriation	–	–	308,344	–	–	–	–	–	(308,344)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	381	–	–	–	381	–	381
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(264,563)	(264,563)	–	(264,563)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(8,748)	(8,748)
Capital contribution from a non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	–	–	29,138	29,138
Balance at 31 December 2012	139,549	3,376,570	865,965	286,038	1,673,893	22,515	(10,539)	–	2,247,218	8,601,209	282,471	8,883,680
Profit for the year	–	–	–	–	–	–	–	–	823,010	823,010	23,294	846,304
Other comprehensive income for the year	–	–	–	–	–	–	4,239	379	–	4,618	–	4,618
Total comprehensive income for the year	–	–	–	–	–	–	4,239	379	823,010	827,628	23,294	850,922
Appropriation	–	–	99,790	–	–	–	–	–	(99,790)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	124	–	–	–	124	–	124
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,215)	(3,215)
Acquisition of non-controlling interests *(note c)*	–	–	–	–	(37,987)	–	–	–	–	(37,987)	(60,076)	(98,063)
Balance at 31 December 2013	139,549	3,376,570	965,755	286,038	1,635,906	22,639	(6,300)	379	2,814,813	9,235,349	242,474	9,477,823

Notes:

a. *In accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from their respective statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.*

All appropriations to the funds are made at the discretion of the subsidiaries' board of directors. The board of directors shall decide on the amounts to be appropriated based on the profitability of each subsidiary each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary subject to approval from the relevant PRC authorities.

The above reserve funds are not available for dividend distributions to the shareholders of the subsidiaries.

b. *Other reserves as at 31 December 2013 mainly comprise (i) capital contributions from Asia Cement Corporation ("Asia Cement"), immediate and ultimate holding company of the Company, and the non-controlling shareholders; (ii) the remuneration paid by Asia Cement to certain employees of Asia Cement and its subsidiaries for their service provided to the Group (the "Payments"). The Payments were not recharged to the Group and therefore the Payments were treated as capital contribution from Asia Cement; and (iii) a waiver of advances from Asia Cement in relation to the audit fees of the Group for the three years ended 31 December 2004, 2005 and 2006 paid by Asia Cement on behalf of the Group.*

c. *Special reserve as at 31 December 2013 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.*

d. *The capital contribution from non-controlling shareholders represents their share of additional contributed capital of US$1,750,000 (equivalent to RMB11,138,000) in Jiangxi Ya Dong Cement Corporation Ltd. ("Jiangxi Ya Dong") and of RMB18,000,000 in Wuhan Yaxin respectively. The registered capital of Jiangxi Ya Dong and Wuhan Yaxin were increased during the year ended 31 December 2012 and contributed by the Group and the non-controlling shareholders on a pro rata basis based on the existing ownership.*

e. *The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2013 of US$45,000,000 (2012: US$50,000,000) was entered into to hedge against cash flow interest rate risk in relation to a bank loan. Details of the derivative financial instrument have been disclosed in note 31.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**1,109,024**	508,927
Adjustments for:		
Depreciation and amortisation	**752,247**	744,521
Finance costs	**157,998**	194,731
Allowance for (reversal of) doubtful debts, net	**6,567**	(10,857)
Loss (gain) on changes in fair value of held-for-trading investments	**3,245**	(349)
Provision for environmental restoration	**3,052**	6,000
Loss on disposal/write off of property, plant and equipment	**648**	693
Share-based payment expense	**124**	381
Interest income on bank deposits	**(60,171)**	(60,553)
Interest income on held-to-maturity investments	**(7,570)**	(115)
Share of profit of an joint venture	**(3,600)**	(4,047)
Share of profit from an associate	**(1,938)**	(1,377)
Gain on disposal of held-to-maturity investments	**(340)**	–
Imputed interest income on long term receivables	**–**	(264)
Dividend expenses	**–**	967
Operating cash flows increase before movements in working capital	**1,959,286**	1,378,658
Increase (decrease) in trade and other payables	**116,749**	(57,742)
Decrease (increase) in held-for-trading investments	**51,898**	(54,794)
Decrease (increase) in inventories	**42,828**	(15,984)
(Increase) decrease in trade and other receivables	**(167,999)**	440,689
(Increase) decrease in prepaid rental	**(14,528)**	2,254
(Decrease) increase in amounts due to a joint venture	**(3,445)**	4,368
(Increase) decrease in amount due from an associate	**(683)**	2,278
Cash generated from operations	**1,984,106**	1,699,727
Income taxes paid	**(191,390)**	(149,766)
NET CASH FROM OPERATING ACTIVITIES	**1,792,716**	1,549,961

	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES		
Proceeds on disposal of held-to-maturity investment	**79,183**	–
Interest received on bank deposits	**60,171**	60,553
Proceeds on disposal of property, plant and equipment	**21,096**	18,847
Repayments of long term receivables from local governments in PRC	**16,000**	3,940
Withdrawal of restricted bank deposits	**12,354**	10,529
Interest received on held-to-maturity investments	**7,570**	115
Dividends received from a joint venture	**800**	500
Purchases of property, plant and equipment	**(1,636,107)**	(595,620)
Loan to a related company	**(391,421)**	–
Purchases of held-to-maturity investments	**(51,929)**	(126,225)
Advances to local governments	**(25,000)**	(8,000)
Purchases of land use rights	**(19,531)**	(18,914)
Placement of restricted bank deposits	**(798)**	(13,774)
Purchases of intangible assets	**(788)**	(1,148)
Payment for acquisition of quarries	**(743)**	(23,215)
NET CASH USED IN INVESTING ACTIVITIES	**(1,929,143)**	(692,412)
FINANCING ACTIVITIES		
Repayments of borrowings	**(2,435,484)**	(1,672,600)
Interest paid	**(181,656)**	(197,484)
Dividends paid	**(155,625)**	(264,563)
Acquisition of non-controlling interest	**(98,063)**	–
Dividends paid to non-controlling interests	**(3,215)**	(8,748)
Repayments to non-controlling interests	**–**	(8,912)
New borrowings raised	**3,357,877**	1,154,867
Capital contribution from a non-controlling interest	**–**	29,138
NET CASH FROM (TO) FINANCING ACTIVITIES	**483,834**	(968,302)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**347,407**	(110,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,620,114**	1,730,867
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,967,521**	1,620,114

1. GENERAL

The Company is a public limited company incorporated in the Cayman Island on 7 April 2004 under the Companies Law (2003 Revision), Chapter 22 of the Cayman Islands. The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 May 2008. The immediate and ultimate holding company is Asia Cement Corporation, a company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Portion of Unit B, 11th Floor, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group") are principally engaged in the manufacture and sale of cement, concrete and related products.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Application of new and revised IFRSs

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 1	Government Loans
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised IFRSs 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.

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) Application of new and revised IFRSs (continued)

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 that deal with consolidated financial statements. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company (the "Directors") reviewed and assessed whether they have control over all the existing subsidiaries in accordance with the requirements of IFRS 10. The Directors concluded that there is no impact on the Group's control over the subsidiaries after the application of IFRS 10 and all the subsidiaries continue to be consolidated in the Group's consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement.

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

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The Directors concluded that the Group's investments which were classified as jointly controlled entities under IAS 31 should be classified as joint ventures under IFRS 11 and continue to be accounted for using the equity method.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(a) Application of new and revised IFRSs (continued)

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The Directors has concluded that the application of this standard will not have significant impacts on the consolidated financial statements except for more extensive disclosure about its interests in other entities.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Other than the additional disclosures in note 6, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(b) New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[2]
IFRS 9	Financial instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 *Effective for annual periods beginning on or after 1 January 2014.*
2 *Effective for annual periods beginning on or after 1 July 2014.*
3 *Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.*
4 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*
5 *Effective for first annual IFRS financial statements beginning on or after 1 January 2016.*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirement for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 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, IFRS 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 IAS 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(b) New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Annual Improvements to IFRSs 2010–2012 Cycle

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

The amendments to IFRS 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 IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 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 IFRS 9 or IAS 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 IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 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 IAS 16 and IAS 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(b) New and revised IFRSs in issue but not yet effective (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (continued)

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

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

Annual Improvements to IFRSs 2011–2013 Cycle

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

The amendments to IFRS 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 IFRS 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, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 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 IAS 40; and

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

(b) New and revised IFRSs in issue but not yet effective (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (continued)

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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 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 IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 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.

3. 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 where the Company:

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

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

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

Profit or loss and each 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.

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

All intragroup transaction balance, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS *2 Share-based Payment* at the acquisition date, and

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

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 re-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 IFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognizing 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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 IAS 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.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Transportation fee income is recognised when the services are provided.

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

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

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 properties under construction as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) 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 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 categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

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.

Quarry

Quarry represents the expenditures incurred by the Group on the (i) acquisition of rights to explore mines and (ii) fulfilment of those specific conditions attached to such rights such as overburden removing, geological conditions improvement and geological exploration. The quarry is stated at cost less amortisation and any recognised impairment loss. The cost of quarry is amortised on a straight-line basis over the shorter of the estimated useful life or the period of the excavation permit of the quarry.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately 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 accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at 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. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment loss of tangible 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 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. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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 sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, contract 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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

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

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

Deferred 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 tax liabilities are generally recognised for all taxable temporary differences. Deferred 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 tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in joint venture, 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 tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When 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.

Financial instruments

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. 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 instrument 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 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 instrument other from those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 6.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

The Group designated some debt securities as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as AFS financial assets and remeasured at fair value, and the difference between its carrying amount and fair value shall be recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets 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 investments 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.

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 are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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, long term receivables, amount due from an associate, loan to a related company, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of 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.

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days for cement customers and 365 days for concrete customers, or 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 the 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 (see the accounting policy below).

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 and long term 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through 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.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL represent financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; 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-making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the "other gains and losses" line item in profit or loss and includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to non-controlling interests and amount due to a joint venture) 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting

The Group designates a derivative as a hedging instrument for interest rate exposure on USD denominated floating rate bank borrowings (cash flow hedge).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial assets 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 accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations 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.

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the quarry has been excavated. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Such provision is measured based on the present value of future cash outflows expected to be incurred to settle the obligation (where the effect is material). The limestone excavated from the quarry is used for the production of cements. Thus, the related cost for environmental restoration is recognised as cost of sales.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2013, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables and long term receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amounts of trade and other receivables and long term receivables are RMB2,437,697,000 (2012: RMB2,352,671,000) (net of allowance for doubtful debts of RMB71,514,000 (2012: RMB65,221,000)) and RMB64,622,000 (2012: RMB61,187,000), respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is RMB138,759,000 (2012: RMB138,759,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 20.

Useful lives and impairment assessment of property, plant, and equipment

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2013 and 2012, the carrying value of property, plant and equipment of the Group is approximately RMB10,313,948,000 and RMB9,380,366,000 respectively.

Fair value of derivative financial instruments

As described in note 31, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 31 December 2013 and 2012, the fair value of derivative financial liabilities is approximately RMB6,300,000 and RMB10,539,000 respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 34, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,895,656**	4,073,971
Available-for-sales investments	**99,690**	–
Held-for-trading investments	**–**	55,143
Held-to-maturity investments	**–**	126,225
Financial liabilities		
Amortised cost	**7,528,991**	6,528,255
Derivative instruments in designated hedge accounting relationship	**6,300**	10,539

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables, trade and other receivables, trade and other payables, amount due from an associate, amount due to a joint venture, loan to a related company, borrowings, restricted bank deposits, derivative instruments in designated hedge accounting relationship, available-for-sales investment and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency 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.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group is exposed to the concentration of credit risk in relation to a loan to a related company (note 29c) and long term receivables from certain PRC local governments (note 36). The Group will monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover the overdue balances.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on restricted cash and bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

Other than the above, the Group has no other significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

Market risks

The Group's activities expose it primarily to interest rate risk and foreign currency rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the long term receivables (note 36), fixed-rate borrowings (note 34) and restricted bank deposits (note 32).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 32) and variable-rate borrowings (note 34).

The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into a US$45,000,000 (2012: US$50,000,000) USD interest rate swap contract to partially hedge against its exposures to change in interest rate of a USD denominated bank borrowing. The interest rate swap is designated as effective hedging instrument and hedge accounting is used.

The Directors monitor interest rate exposure and will consider hedging further interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") and Benchmark Interest Rate ("Benchmark Rate") of The People's Bank of China arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances deposited in reputable banks in PRC after excluding the borrowing which is hedged by the USD interest rate swap. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis-point (2012: 100 basis-point) and a 30 basis-point (2012: 30 basis-point) increase or decrease are used for the analysis of the Group's exposures to the interest rates on its variable-rate borrowings and variable-rate bank balances respectively. These represent management's assessment of the possible change in interest rates.

Borrowings

If interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2013 would decrease/increase by approximately RMB55,825,000 (2012: RMB47,086,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk (continued)

Bank balances

If interest rates had been 30 basis points (2012: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2013 would increase/decrease by approximately RMB4,396,000 (2012: RMB3,212,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

There has been no significant change to the Group's exposure to interest rate risks or manner in which it manages and measures.

(ii) Currency risk

Certain bank deposits (note 32) and bank borrowings (note 34) of the Group are denominated in USD, Hong Kong dollars ("HKD"), Euros and Singapore dollars ("SGD"), being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

The Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

A positive number indicates an increase in profit where RMB strengthens 10% against USD, HKD, Euros and SGD. For a 10% weakening of RMB against USD, HKD, Euros and SGD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros		Impact of SGD	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**494,067**	363,534	**(182)**	(272)	**290**	–	**(125)**	(67)

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. The weighted average interest rate for the variable-rate borrowings has been calculated using the interest rates prevailing at the end of each reporting period.

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2013 RMB'000
2013							
Trade and other payables	–	565,679	–	–	–	565,679	565,679
Amount due to a joint venture	–	6,865	–	–	–	6,865	6,865
Variable interest rate borrowings	2.27	569,815	3,273,638	1,842,264	855,507	6,541,224	6,370,447
Fixed interest rate borrowings	2.95	8,644	8,644	594,644	–	611,932	586,000
		1,151,003	3,282,282	2,436,908	855,507	7,725,700	7,528,991

	Weighted average interest rate %	Less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at the 31.12.2012 RMB'000
2012							
Trade and other payables	–	483,891	–	–	–	483,891	483,891
Amount due to non-controlling interests	–	2,043	–	–	–	2,043	2,043
Amount due to a joint venture	–	8,267	–	–	–	8,267	8,267
Variable interest rate borrowings	2.85	801,446	2,133,280	1,034,026	1,691,828	5,660,580	5,448,054
Fixed interest rate borrowings	2.95	8,644	8,644	17,287	603,287	637,862	586,000
		1,304,291	2,141,924	1,051,313	2,295,115	6,792,643	6,528,255

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

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

The Group's financial instruments includes financial assets that measured at fair value at the end of the reporting period and they are grouped into Level 1, Level 2 or Level 3 financial instruments based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Financial assets/ financial liabilities	Fair value as at 31.12.2013	31.12.2012	Fair value hierarchy	Valuation technique(s) and key input(s)
1)	Interest rate swaps classified as derivative liabilities in the statement of financial position	**Liabilities (designated for hedging) – RMB6,300,000**	Liabilities (designated for hedging) – RMB10,539,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
2)	Held-for-trading investment in the statement of financial position	**–**	Unlisted investment funds issued by corporate entities outside Hong Kong – RMB55,143,000	Level 2	Fair values for the investment reflect the fair values of the underlying assets of the funds, which are provided by counterparty financial institution.
3)	Listed available-for-sale investments	**Listed debt securities issued by listed companies in Hong Kong, South Korea and France – RMB99,690,000**	–	Level 2	Determined by the reference prices provided by counterparty financial institutions. The reference prices take into account recent transaction prices for these debt securities.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. There were no transfers between Level 1 and 2 in the year.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2013 RMB'000	2012 RMB'000
Sales of cement products and related products	6,705,547	6,059,141
Sales of concrete	625,271	625,008
	7,330,818	6,684,149

8. SEGMENT INFORMATION

Internal reports that are regularly reviewed by the chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and the assessment of segment performance focus on the revenue and operating results of the cement business and the concrete business, respectively. They are considered as the operating and reportable segments of the Group under IFRS 8. Information relating to assets and liabilities in each segment is not included in the internal reports regularly reviewed by CODM.

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

For the year ended 31 December 2013

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	6,705,547	625,271	7,330,818	–	7,330,818
Inter-segment sales	118,624	37,506	156,130	(156,130)	–
Total	6,824,171	662,777	7,486,948	(156,130)	7,330,818
Segment result	1,265,280	30,836	1,296,116	(14,894)	1,281,222
Unallocated income					30,766
Central administration costs, directors' salaries and other unallocated expense					(50,504)
Share of profit of a joint venture					3,600
Share of profit of an associate					1,938
Finance costs					(157,998)
Profit before tax					1,109,024

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2012

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	6,059,141	625,008	6,684,149	–	6,684,149
Inter-segment sales	106,452	34,396	140,848	(140,848)	–
Total	6,165,593	659,404	6,824,997	(140,848)	6,684,149
Segment result	714,702	26,267	740,969	(19,412)	721,557
Unallocated income					18,704
Central administration costs, directors' salaries and other unallocated expense					(42,027)
Share of profit of a joint venture					4,047
Share of profit of an associate					1,377
Finance costs					(194,731)
Profit before tax					508,927

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit of a joint venture and an associate and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales were charged at market price or where no market price was available at cost plus a percentage of profit mark-up.

8. SEGMENT INFORMATION (continued)

Other segment information

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2013				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	**(46,847)**	**(955)**	**(12,369)**	**(60,171)**
Government grants	**(62,514)**	**–**	**–**	**(62,514)**
Depreciation and amortisation	**711,298**	**31,130**	**9,819**	**752,247**
(Gain) loss on disposal/write-off of property, plant and equipment	**(905)**	**1,395**	**158**	**648**
Allowance for (reversal of) doubtful debts, net	**7,672**	**(1,382)**	**277**	**6,567**
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	**1,650,365**	**23,595**	**18,946**	**1,692,906**

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2012				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(53,900)	(363)	(6,290)	(60,553)
Government grants	(73,020)	(144)	(66)	(73,230)
Depreciation and amortisation	698,757	35,624	10,140	744,521
(Gain) loss on disposal/write-off of property, plant and equipment	(1,243)	2,050	(114)	693
(Reversal of) allowance for doubtful debts, net	(16,044)	5,740	(553)	(10,857)
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	595,515	22,843	8,979	627,337

Note: Non-current assets include property, plant and equipment, prepaid lease payments, quarry and other intangible assets.

Geographical Information

The Group's revenue by location of customers is principally derived from the PRC. The Group's non-current assets (property, plant and equipment, quarry, prepaid lease payments, goodwill and other intangible assets) are principally located in PRC.

Information about major customers

No customer contributed over 10% of the total sales of the Group for both years.

9. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Government grant income *(note 45)*	**62,514**	73,230
Transportation fee income	**10,524**	8,165
Sales of scrap materials	**9,027**	6,471
Interest income on bank deposits	**60,171**	60,553
Interest income on held-to-maturity investments	**7,570**	115
Imputed interest income on long term receivables	**–**	264
Rental income, net of outgoings *(note)*	**4,740**	714
Others	**7,406**	6,429
	161,952	155,941

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB2,956,000 (2012: RMB420,000).

10. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Exchange gains, net	**124,108**	6,612
(Allowance for) reversal of doubtful debts, net	**(6,567)**	10,857
Loss on disposal/write-off of property, plant and equipment	**(648)**	(693)
Gain on disposal of held-to-maturity investments	**340**	–
(Loss) gain on changes in fair values of held-for-trading investments	**(3,245)**	349
	113,988	17,125

11. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interests on:		
– Bank borrowings wholly repayable within five years	**174,793**	194,201
– Others	**4,386**	6,633
Total borrowing costs	**179,179**	200,834
Less: Interests capitalised	**(21,181)**	(6,103)
	157,998	194,731

Borrowing costs capitalised during the year ended 31 December 2013 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.29% (2012: 3.28%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**266,731**	102,402
Withholding tax paid	**1,235**	4,895
Underprovision in prior years	**409**	571
Deferred tax *(note 35)*	**(5,655)**	(5,547)
	262,720	102,321

The PRC EIT is calculated at the prevailing tax rate on the taxable income of the group entities in the PRC.

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2012: ranged from 12.5% to 25%).

Pursuant to "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Shui [2013] no.490"), Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was granted a tax concession to pay corporate income tax at a preferential rate of 15% in 2013. The tax rate of Sichuan Yadong is 25% in 2012.

Pursuant to the relevant laws and regulation in the PRC, certain PRC subsidiaries of the Group were exempted from PRC EIT for two years starting from their first profit making year and followed by a 50% reduction on the PRC EIT for the next three years. As at 31 December 2013, the tax rates of these subsidiaries are 25% (2012: 12.5%) following the expiration of such tax concessions of these subsidiaries on 31 December 2012.

Neither provision for Hong Kong Profits Tax nor Singapore income tax has been made in the consolidated statement of comprehensive income as the Group had no assessable profit arising in these jurisdictions for both years.

The Company is not subject to income tax in Cayman Island and any other jurisdiction.

12. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	**1,109,024**	508,927
Tax at the PRC EIT rate of 25% (2012: 25%)	**277,256**	127,232
Tax effect of expenses not deductible for tax purposes	**7,351**	7,899
Tax effect of different tax rates of subsidiaries	**2,876**	9,032
Tax effect of share of profit of joint venture	**(900)**	(1,012)
Tax effect of share of profit of associate	**(485)**	(344)
Effect of tax concessions granted to PRC subsidiaries	**(34,016)**	(40,309)
Underprovision in prior years	**409**	571
Tax effect of tax loss not recognised	**5,525**	–
Utilisation of tax losses previously not recognised	**–**	(722)
Deferred tax on undistributed earnings of PRC subsidiaries	**4,704**	(26)
Income tax expense for the year	**262,720**	102,321

Tax rate of 25% is adopted for the tax reconciliation as such tax rate is applicable to most of the Group's operation in the PRC for both years.

Details of movements in deferred tax have been set out in note 35.

13. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**716,518**	711,351
– Prepaid lease payments	**17,389**	15,383
– Quarry	**13,297**	12,781
– Other intangible assets	**5,043**	5,006
	752,247	744,521
Auditors' remuneration	**4,830**	4,830
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**314,463**	305,553
Retirement benefits scheme contributions	**22,344**	21,984
Total staff costs	**336,807**	327,537
Cost of inventories recognised as expenses	**5,714,167**	5,562,181
Rental payments under operating leases	**21,801**	26,671

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2012: ten) directors were as follows:

Year ended 31 December 2013

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	319	112	–	–	431
Mr. Chang, Tsai-hsiung	336	732	–	–	1,068
Madam Chiang, Shao Ruey-huey	281	120	–	–	401
Mr. Chang, Chen-kuen	306	899	–	–	1,205
Mr. Lin, Seng-chang	254	995	–	–	1,249
Mr. Wu, Chung-lih	328	1,373	–	–	1,701
Mr. Liu, Zhen-tao	240	–	–	–	240
Mr. Lei, Qian-zhi	240	–	–	–	240
Mr. Tsim, Tak-lung Dominic	240	–	–	–	240
Mr. Wong, Ying-ho Kennedy	240	–	–	–	240
	2,784	4,231	–	–	7,015

Year ended 31 December 2012

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Mr. Hsu, Shu-tong	311	112	–	–	423
Mr. Chang, Tsai-hsiung	344	353	–	–	697
Madam Chiang, Shao Ruey-huey	284	120	–	–	404
Mr. Chang, Chen-kuen	313	1,471	–	–	1,784
Mr. Lin, Seng-chang	265	1,044	–	–	1,309
Mr. Wu, Chung-lih	321	1,530	–	–	1,851
Mr. Liu, Zhen-tao	232	–	–	–	232
Mr. Lei, Qian-zhi	232	–	–	–	232
Mr. Tsim, Tak-lung Dominic	232	–	–	–	232
Mr. Wong, Ying-ho Kennedy	232	–	–	–	232
	2,766	4,630	–	–	7,396

Mr. Wu, Chung-lih is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2012: two) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	2,400	2,699
Share-based payments	3	13
	2,403	2,712

Their emoluments were within the following bands:

	2013	2012
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	1	2

No emoluments were paid by the Group to the directors of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

15. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Dividend recognised as distributions during the year: 2012 Final, paid – RMB10 cents (2012: 2011 final dividend RMB17 cents) per share	155,625	264,563

A final dividend for the year ended 31 December 2013 of RMB15 cents per share (2012: RMB10 cents per share) amounting to approximately RMB233,437,500 (2012: RMB155,625,000) has been proposed by the Board of Directors after the end of the reporting period. The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**823,010**	395,123
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,556,250**	1,556,250

The share options had anti-dilutive effect on the earnings per share for both years as the average market price of the Company's share was lower than the exercise price of the options.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	**Plant and machinery** RMB'000	**Furniture, fixtures and office equipment** RMB'000	**Trucks, loaders and motor vehicles** RMB'000	**Leasehold improvement** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
COST							
At 1 January 2012	2,730,295	8,981,308	309,896	408,295	1,443	148,558	12,579,795
Additions	661	2,185	2,817	7,486	–	585,911	599,060
Disposals/write-off	(166)	(16,277)	(7,054)	(12,545)	–	(2,484)	(38,526)
Transfer	50,659	121,059	14,378	19,270	–	(205,366)	–
Reclassified to prepaid lease payments	–	–	–	–	–	(45,000)	(45,000)
At 31 December 2012	2,781,449	9,088,275	320,037	422,506	1,443	481,619	13,095,329
Additions	1,448	23,960	2,881	7,645	603	1,635,307	1,671,844
Disposals/write-off	(2,697)	(19,928)	(4,143)	(21,470)	–	–	(48,238)
Transfer	328,210	680,080	16,335	96,543	–	(1,121,168)	–
At 31 December 2013	**3,108,410**	**9,772,387**	**335,110**	**505,224**	**2,046**	**995,758**	**14,718,935**
ACCUMULATED DEPRECIATION							
At 1 January 2012	346,573	2,282,320	193,378	200,029	298	–	3,022,598
Provided for the year	84,005	552,871	31,350	42,940	185	–	711,351
Eliminated on disposals/write-off	(47)	(4,430)	(5,128)	(9,381)	–	–	(18,986)
At 31 December 2012	430,531	2,830,761	219,600	233,588	483	–	3,714,963
Provided for the year	85,178	564,110	23,647	43,398	185	–	716,518
Eliminated on disposals/write-off	(290)	(4,776)	(3,788)	(17,640)	–	–	(26,494)
At 31 December 2013	**515,419**	**3,390,095**	**239,459**	**259,346**	**668**	**–**	**4,404,987**
CARRYING VALUES							
At 31 December 2013	**2,592,991**	**6,382,292**	**95,651**	**245,878**	**1,378**	**995,758**	**10,313,948**
At 31 December 2012	2,350,918	6,257,514	100,437	188,918	960	481,619	9,380,366

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Buildings are located in the PRC on medium term leasehold land.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following useful lives:

Buildings	Over the shorter of term of the relevant lease or 20–35 years
Plant and machinery	10–20 years
Furniture, fixtures and office equipment	5–15 years
Trucks, loaders and motor vehicles	5–15 years
Leasehold improvement	Over the shorter of term of the relevant leases or 5 years

18. QUARRY

	RMB'000
COST	
At 1 January 2012	271,469
Additions	8,215
At 31 December 2012	279,684
Additions	743
At 31 December 2013	**280,427**
AMORTISATION	
At 1 January 2012	51,994
Provided for the year	12,781
At 31 December 2012	64,775
Provided for the year	13,297
At 31 December 2013	**78,072**
CARRYING VALUES	
At 31 December 2013	**202,355**
At 31 December 2012	214,909

Quarry is amortised over the shorter of the estimated useful life or the period of excavation permit of the quarry.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in the PRC under medium-term leases.

Analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Non-current assets	584,415	582,957
Current assets	17,764	17,080
	602,179	600,037

Land use rights are amortised on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted to the Group for usage in the PRC.

At 31 December 2013, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB189,709,000 (2012: approximately RMB226,172,000). The Group is currently in the process of obtaining these land use right certificates.

20. GOODWILL

Goodwill arose in the acquisition of 70% equity interest in Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin") on 12 July 2010. For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), representing Wuhan Yaxin, a subsidiary in the cement segment.

During the current year, the Directors determine that there is no impairment of the above CGU containing goodwill.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2012: 5 years) and discount rate of 10.48% per annum as at 31 December 2013 (2012: 11.47%). Cash flows beyond the 5-year period (2012: 5-year period) are extrapolated using a steady 2.6% (2012: 2.6%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and budgeted costs. Such estimation is based on Wuhan Yaxin's past performance and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of Wuhan Yaxin to exceed the recoverable amount of Wuhan Yaxin.

21. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2012	779	18,310	7,845	26,934
Disposals	–	–	1,148	1,148
At 31 December 2012 and 1 January 2013	779	18,310	8,993	28,082
Additions	–	–	788	788
At 31 December 2013	**779**	**18,310**	**9,781**	**28,870**
ACCUMULATED AMORTISATION				
At 1 January 2012	779	5,493	2,823	9,095
Provided for the year	–	3,662	1,344	5,006
At 31 December 2012 and 1 January 2013	779	9,155	4,167	14,101
Provided for the year	–	3,662	1,381	5,043
At 31 December 2013	**779**	**12,817**	**5,548**	**19,144**
CARRYING VALUES				
At 31 December 2013	**–**	**5,493**	**4,233**	**9,726**
At 31 December 2012	–	9,155	4,826	13,981

The above items of other intangible assets are amortised on a straight-line basis at the following rates per annum:

Backlog orders	$\frac{1}{2}$ year
Customer relationships	5 years
Software	5 years

22. INTEREST IN A JOINT VENTURE

	2013 RMB'000	2012 RMB'000
Cost of unlisted investment in a joint venture	**17,750**	17,750
Share of post-acquisition profits and other comprehensive income, net of dividends received	**13,941**	11,141
	31,691	28,891

22. INTEREST IN A JOINT VENTURE (continued)

At 31 December 2013 and 2012, the Group had interests in the following unlisted joint venture:

Name of joint venture	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2013	2012	**2013**	2012	
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd., ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	**50%**	50%	**50%**	50%	Provision of transportation services

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2013 RMB'000	2012 RMB'000
Current assets	**30,648**	21,378
Non-current assets	**65,962**	62,142
Current liabilities	**(23,228)**	(25,738)
Non-current liabilities	**(10,000)**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**11,127**	2,864
Current financial liabilities (excluding trade and other payables and provisions)	**(15,600)**	(17,780)
Non-current financial liabilities (excluding trade and other payables and provision)	**(10,000)**	–

22. INTEREST IN A JOINT VENTURE (continued)

	2013 RMB'000	2012 RMB'000
Revenue	**81,517**	80,622
Profit and total comprehensive income for the year	**7,200**	8,094
Dividends received from the joint venture during the year	**800**	500
The above profit for the year include the following:		
Depreciation and amortisation	**5,000**	3,988
Interest income	**80**	38
Interest expense	**1,236**	1,128
Income tax expense	**2,186**	2,698

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

	2013 RMB'000	2012 RMB'000
Net assets of the joint venture	**63,382**	57,782
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
Carrying amount of the Group's interest in the joint venture	**31,691**	28,891

23. INTEREST IN AN ASSOCIATE

	2013 RMB'000	2012 RMB'000
Cost of unlisted investment in an associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**4,920**	2,982
	16,920	14,982

Details of the Group's associate at the end of the reporting period are as follow:

Name of joint venture	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2013	2012	Proportion of voting rights held by the Group 2013	2012	Principal activities
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Foreign- interest enterprise	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of concrete

23. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2013 RMB'000	2012 RMB'000
Current assets	61,818	49,394
Non-current assets	8,429	11,171
Current liabilities	(27,947)	(23,110)
Non-current liabilities	–	–
Revenue	97,870	75,673
Profit and total comprehensive income for the year	4,845	3,443
Dividends received from associate during the year	–	–

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

	2013 RMB'000	2012 RMB'000
Net assets of the associate	42,300	37,455
Proportion of the Group's ownership interest in the associate	40%	40%
Carrying amount of the Group's interest in the associate	16,920	14,982

24. HELD-TO-MATURITY INVESTMENTS

	2013 RMB'000	2012 RMB'000
Non-current assets		
Debt securities, at amortised cost *(Note)*	–	126,225

Note: The Group's held-to maturity investments represented listed debt securities that were issued by companies listed in either Hong Kong, South Korea or France. The investments carried fixed interest at 1.85% to 7% per annum, payable semi-annually and would mature from February 2014 to October 2014. During the current year, the Group disposed significant portion of its held-for-maturity investment. For the remaining held-to-maturity investment, it has been reclassified to available-for-sale investments (note 28) as it is no longer the intention of the Group to hold the investments to maturity.

The fair value of debt securities as at 31 December 2012 was approximately RMB126,225,000 which was determined by the reference prices provided by counterparty financial institution. The reference prices have taken into account recent transaction prices for these debt securities.

25. INVENTORIES

	2013 RMB'000	2012 RMB'000
Spare parts and ancillary materials	332,438	333,619
Raw materials	282,109	287,727
Work in progress	55,851	61,723
Finished goods	43,864	74,021
	714,262	757,090

26. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	1,205,417	1,116,918
Less: allowance for doubtful debts	(69,182)	(62,889)
	1,136,235	1,054,029
Bills receivable	1,257,244	1,251,709
	2,393,479	2,305,738
Other receivables	46,550	49,265
Less: allowance for doubtful debts	(2,332)	(2,332)
	44,218	46,933
	2,437,697	2,352,671
Advances to suppliers	197,988	159,448
Deposits	10,489	8,246
Prepayments	8,949	5,280
Value-added tax recoverable	66,994	34,515
	2,722,117	2,560,160

26. TRADE AND OTHER RECEIVABLES (continued)

The Group has a policy of allowing a credit period of 30 to 90 days for cement customers and 365 days for concrete customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	Cements		Concrete		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**506,496**	467,775	**216,673**	192,439	**723,169**	660,214
91–180 days	**121,988**	96,136	**111,346**	117,475	**233,334**	213,611
181–365 days	**–**	5,338	**131,276**	134,490	**131,276**	139,828
Over 365 days	**–**	–	**48,456**	40,376	**48,456**	40,376
	628,484	569,249	**507,751**	484,780	**1,136,235**	1,054,029

The following is an ageing analysis of bills receivable (trade-related) presented based on the dates of bills issued by the customers at the end of the reporting period:

	Cements		Concrete		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0–90 days	**940,073**	822,913	**63,696**	38,421	**1,003,769**	861,334
91–180 days	**237,191**	372,864	**12,484**	8,989	**249,675**	381,853
181–365 days	**3,800**	8,522	**–**	–	**3,800**	8,522
	1,181,064	1,204,299	**76,180**	47,410	**1,257,244**	1,251,709

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. Approximately 90% (2012: 82%) of the trade receivables as at 31 December 2013 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality by reference to their past repayment records.

Included in the Group's trade receivables balances are debtors with the aggregate carrying amount of approximately RMB121,988,000 (2012: approximately RMB101,474,000) and RMB48,456,000 (2012: RMB40,376,000) fore cement and concrete segment respectively, which have been past due as at year end for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

An allowance has been made for estimated irrecoverable amounts arising from the sale of goods which has been determined by reference to past default experience and objective evidence of impairment such as an analysis of the particular customers and their financial conditions and the ages of the trade receivables.

26. TRADE AND OTHER RECEIVABLES (continued)

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

	Cements		Concrete		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Overdue by:						
1–90 days	**121,988**	96,136	**48,456**	40,376	**170,444**	136,512
91–275 days	**–**	5,338	**–**	–	**–**	5,338
	121,988	101,474	**48,456**	40,376	**170,444**	141,850

Movement of the allowance for doubtful debts for trade and other receivables for the year is set out as follows:

	Other receivables		Trade receivables	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**2,332**	2,332	**62,889**	74,145
Additions	**–**	–	**21,338**	18,765
Reversal	**–**	–	**(14,771)**	(29,622)
Written off	**–**	–	**(274)**	(399)
	2,332	2,332	**69,182**	62,889

27. HELD-FOR-TRADING INVESTMENTS

	2013	2012
	RMB'000	RMB'000
Unlisted investment funds issued by corporate entities outside Hong Kong	**–**	55,143

Fair value of the investments reflected the fair values of the underlying assets of the funds, which were provided by counterparty financial institution. During the current year, the Group disposed all the held-for-trading investments.

28. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013	2012
	RMB'000	RMB'000
Listed debt securities	**99,690**	–

The Group's available-for-sale investments represent the listed debt securities transferred from held-to-maturity investments (note 24) as it is no longer the intention of the Group to hold the investments to maturity. The amount is measured at fair values, which is determined by the reference prices provided by counterparty financial institution. The reference prices take into account recent transaction prices for these debt securities.

29. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amount due from an associate

	2013 RMB'000	2012 RMB'000
Hubei Zhongjian (trade related)	5,297	4,614

The amount as at 31 December 2013 was unsecured, non-interest bearing and aged within the credit term of 30 days.

(b) Amounts due to a joint venture

	2013 RMB'000	2012 RMB'000
Wuhan Asia (trade related)	6,865	8,267

The amount as at 31 December 2013 were unsecured, non-interest bearing and aged within the credit term of 30 days.

(c) Loan to a related company

	2013 RMB'000	2012 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	391,421	–

Pursuant to the loan agreements, the Company agreed to make available an aggregate principal sum of US$68 million (the "Loans") to FENC, of which US$64.2 million (equivalents to RMB391,421,000) have been drawn down by FENC as at 31 December 2013. FENC is a wholly-owned subsidiary of Far Eastern New Century Corporation ("FENCC") and is principally engaged in the business of investment. The Company is related to FENC as FENCC holds 28.79% equity interest in Asia Cement Corporation. According to the terms of the loan agreements, (i) the Loans principal amount shall be repaid in full on or before 16 June 2014 (the "Repayment Date"); or (ii) FENC may repay the Loans at a time later than the Repayment Date, subject to the consent from the Company; or (iii) FENC may prepay the Loans or any part of the Loans at any time before the Repayment Date. The interest rate is subject to be agreed between the Company and FENC.

30. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts as at 31 December 2012 were non-trade in nature, unsecured, non-interest bearing and fully repaid in 2013.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 Liabilities RMB'000	2012 Liabilities RMB'000
Derivative under hedge accounting		
USD interest rate swap	**6,300**	10,539

USD interest rate swap

The Group had an outstanding USD interest rate swap contract designated as a highly effective hedging instrument in order to partially hedge the Group's cash flow interest rate exposure on a USD denominated floating rate bank borrowing (note 34).

The terms of the USD interest rate swap contract have been negotiated to match the terms of the USD denominated floating rate bank borrowing.

Major terms of the USD interest rate swap as at 31 December 2013 and 2012 are as follows:

Notional amount	Maturity	Swap
2013 **US$45,000,000**	**20.10.2015**	**From LIBOR to 1.75% per annum**
2012 US$50,000,000	20.10.2015	From LIBOR to 1.75% per annum

The fair value of the USD interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The USD interest rate swap is designated and effective as cash flow hedge.

During the current year, a fair value gain of RMB4,239,000 (2012: RMB2,767,000 loss) has been recognised in other comprehensive income and accumulated in equity. It will be released to profit or loss at various dates during the life of the swap when the hedged interest expense is recognised in profit or loss.

32. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The amounts comprise bank balances and cash with an original maturity of three months or less and restricted bank deposits. The restricted bank deposits and bank balances carry interest rates ranging from 0.01% to 3.85% (2012: 0.01% to 3.30%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB148,114,000 (2012: RMB261,219,000) and approximately RMB1,842,346,000 (2012: RMB1,399,125,000), respectively.

32. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

Under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which are restricted for withdrawal, as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2013, RMB25,840,000 (2012: RMB25,840,000) in its own bank account has been restricted for this purpose. No further notice for additional deposit was received from the relevant PRC authority during the year. These restricted bank deposits will be released after the Group has completed the restoration work up to the standard accepted by the Ministry of Land and Resources of the People's Republic of China. The Directors expect the restoration work to be carried out and completed after the expiries of the respective mining rights, ranging from years of 2016 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

As at 31 December 2013, the remaining deposits in its own bank account amounting to RMB3,258,000 (2012: RMB14,814,000) have been restricted by banks for withdrawal as overseas purchase security which will be released within one year and therefore are classified as current assets.

The Group's restricted bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
Denominated in USD	114,343	64,368
Denominated in HKD	1,817	2,724
Denominated in SGD	1,524	816

33. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	365,237	295,135
Bills payable	12,477	9,196
	377,714	304,331
Accruals	91,368	74,170
Advances from customers	85,479	86,798
Staff wages and welfare payable	56,698	50,087
Value added tax payable	40,893	15,297
Construction cost payable	59,133	50,142
Other payables	72,134	79,331
	783,419	660,156

33. TRADE AND OTHER PAYABLES (continued)

The following is an ageing analysis of trade and bill payables presented based on the invoice dates at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0–90 days	**326,179**	272,654
91–180 days	**32,265**	15,601
181–365 days	**12,041**	7,517
Over 365 days	**7,229**	8,559
	377,714	304,331

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period for trade purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

34. BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank borrowings – unsecured	**6,370,447**	5,448,054
Fixed rate notes – unsecured *(note)*	**586,000**	586,000
	6,956,447	6,034,054

Note:

In September 2011, the Company issued fixed rate unsecured notes in an aggregate principal amount of RMB586,000,000. The unsecured notes bear fixed interest at 2.95% per annum and will be fully repayable in September 2014. The fixed rate notes are listed on the Stock Exchange. The amount is payable in 2014, therefore reclassified to current liabilities.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2013 RMB'000	2012 RMB'000
Denominated in USD	**5,281,479**	3,782,317
Denominated in HKD	**3,873**	–

34. BORROWINGS (continued)

The borrowings are repayable as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**3,473,494**	2,739,881
In the second year	**2,566,924**	1,584,447
In the third year	**256,937**	1,574,726
In the fourth year	**18,917**	135,000
In the fifth year	**640,175**	–
	6,956,447	6,034,054
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(3,473,494)**	(2,739,881)
Amounts due for settlement after 12 months	**3,482,953**	3,294,173

The borrowings carrying fixed and variable interest rates with reference to the Benchmark Rate for RMB borrowings, or the LIBOR for foreign currency borrowings are as follows:

	2013		2012	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	**586,000**	**2.95%**	586,000	2.95%
Variable-rate borrowings	**6,370,447**	**90% to 100% of Benchmark Rate or LIBOR plus margin of 0.1% to 2.6%**	5,448,054	90% to 100% of Benchmark Rate or LIBOR plus margin of 0.1% to 3.5%
	6,956,447		6,034,054	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 0.80% to 5.90% (2012: 0.86% to 6.35%) per annum. Interest is repriced quarterly.

35. DEFERRED TAX

The following are the major deferred tax (liabilities) assets recognised and the movement thereon during the years:

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Pre-operating expenses RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	(13,392)	(3,482)	18,704	2,431	378	(8,732)	1,214	(2,879)
Withholding tax paid	–	–	–	–	–	4,895	–	4,895
Credit (charge) to profit or loss	1,225	250	(2,723)	1,472	(353)	26	755	652
At 31 December 2012	(12,167)	(3,232)	15,981	3,903	25	(3,811)	1,969	2,668
Withholding tax paid	–	–	–	–	–	1,235	–	1,235
Credit (charge) to profit or loss	1,225	221	1,537	(610)	(25)	(4,704)	6,776	4,420
At 31 December 2013	**(10,942)**	**(3,011)**	**17,518**	**3,293**	**–**	**(7,280)**	**8,745**	**8,323**

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on new tax rates and tax laws that have been enacted at the end of the reporting period.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax assets	**27,015**	20,761
Deferred tax liabilities	**(18,692)**	(18,093)
	8,323	2,668

At 31 December 2013, the Group has unused tax losses of approximately RMB35,274,000 (2012: RMB15,612,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB13,173,000 (2012: RMB15,612,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB22,101,000 (2012: nil) due to the unpredictability of future profit stream. As at 31 December 2013, the tax losses of RMB4,269,000, RMB3,194,000 and RMB5,710,000 and RMB22,101,000 will expire in 2015, 2016, 2017 and 2018, respectively.

35. DEFERRED TAX (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2013, deferred tax liability has been provided in respect of RMB164,038,000 (2012: RMB85,733,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associate and joint venture in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2013, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, joint venture and associate in respect of which deferred tax liability has not been provided for were approximately RMB3,550,193,000 (2012: RMB2,899,724,000), RMB16,989,000 (2012: RMB12,176,000) and RMB11,071,000 (2012: RMB6,709,000), respectively.

36. LONG TERM RECEIVABLES

	2013 RMB'000	2012 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(note a)*	**–**	6,565
武漢市新洲區人民政府 (the "Wuhan City Government") *(note b)*	**18,380**	28,380
彭州市人民政府 (the "Pengzhou City Government") *(note c)*	**46,242**	26,242
	64,622	61,187
Less: Amounts due within one year	**(28,697)**	(12,861)
Amounts due after one year	**35,925**	48,326

Notes:

a. *From 2002 to 2005, Jiangxi Ya Dong, a subsidiary of the Company and the Ruichang City Government entered into various agreements. Pursuant to these agreements, Jiangxi Ya Dong advanced funds approximately of RMB7.8 million to the Ruichang City Government from 2002 to 2005 to facilitate the transfer of a piece of land to Jiangxi Ya Dong for the construction of its second production line. Jiangxi Ya Dong obtained the land use right of that piece of land in 2002.*

In 2007, Jiangxi Ya Dong further advanced funds of approximately RMB8.05 million to the Ruichang City Government to facilitate the transfer of another piece of land for the construction of its third production line, Jiangxi Ya Dong obtained the land use right of the piece of land in 2007. The RMB8.05 million made in 2007 which had been adjusted to its fair value based on the discounted cash flows on the expected receivable amount using a discount rate of 6.84%.

The above advances are unsecured, non-interest bearing and repayable through the refund of certain taxes to be payable to Ruichang City Government and offsetting of dividends payable by Jiangxi Ya Dong to 江西省建材集團公司, a 5% non-controlling interest of Jiangxi Ya Dong and an investment of the Ruichang City Government.

During the current year, the outstanding receivable balance has been settled in cash of RMB1 million and through offsetting a payable of RMB5.56 million to Ruichang City Government regarding the re-location of citizens in the surrounding area of the construction land of Jiangxi Ya Dong's plant.

36. LONG TERM RECEIVABLES (continued)

Notes: (continued)

b. (i) Hubei Yadong Cement Co., Ltd ("Hubei Yadong"), a subsidiary of the Company, and the Wuhan City Government entered into various agreements. Pursuant to the first agreement entered into in March 2006, Hubei Yadong advanced funds of approximately RMB8 million to the Wuhan City Government to facilitate the transfer of a piece of land to Hubei Yadong for the construction of its plant. Hubei Yadong obtained the land use right of that piece of land in 2006. The advance is unsecured, non-interest bearing and repayable in four equal annual instalments commencing 31 December 2011.

During the current year, RMB2 million was settled (2012: nil). As at 31 December 2013, the outstanding balance is RMB4 million (2012: RMB6 million).

(ii) In August 2007, in order to ensure that Hubei Yadong would have a reliable local source of electricity, Hubei Yadong entered into second agreement with the Wuhan City Government. Pursuant to the agreement, Hubei Yadong advanced additional funds of approximately RMB20 million to the Wuhan City Government. The advance is unsecured, non-interest bearing and repayable through refund of 50% of certain taxes to be paid to the Wuhan City Government by cash based on the contractual agreement.

During the current year, RMB6 million was received in cash (2012: nil). As at 31 December 2013, the outstanding balance is approximately RMB8.4 million (2012: RMB14.4 million).

Upon completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the advances to the Wuhan City Government, which cannot be recovered by Hubei Yadong in accordance with the expected time as per above. As at 31 December 2013, the indemnity in respect of the above advances undertaken by Asia Cement is approximately RMB5.5 million (2012: RMB13.5 million).

(iii) In May 2012, Hubei Yadong entered into another agreement with the Wuhan City Government. Pursuant to the agreement, Hubei Yadong advanced funds of RMB8 million to the Wuhan City Government, who is solely liable to compensate the citizens for re-location in the surrounding area of the construction land of Hubei Yadong's plant. The advance is unsecured, non-interesting bearing and repayable in four equal annual instalments commencing 31 December 2012 based on the contractual agreement.

During the current year, the first instalment of RMB2 million was received in cash. As at 31 December 2013, the outstanding balance is RMB6 million (2012: RMB8 million).

c. (i) In April 2007, Sichuan Yadong entered into an agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced funds of RMB10 million to the Pengzhou City Government to facilitate the transfer of a piece of land to Sichuan Yadong for the construction of its plant. Sichuan Yadong obtained the land use right of that piece of land in 2007.

In October 2010, Sichuan Yadong entered into another agreement with the Pengzhou City Government. Pursuant to the agreement, Sichuan Yadong advanced additional funds of RMB10 million to the Pengzhou City Government, who is solely liable to compensate the citizens for re-location in the surrounding area of the construction land of Sichuan Yadong's plant.

The above advances are unsecured, non-interesting bearing and repayable based on the contractual payment plan signed in 2010, which was then superseded by another payment plan negotiated and signed in December 2012 ("2012 Contractual Payment Plan"), with the Pengzhou City Government. Pursuant to the 2012 Contractual Payment Plan, the Pengzhou City Government encountered problems for compensating the citizens for re-location, Sichuan Yadong advanced additional non-interest bearing funds of RMB25 million to the Pengzhou City Government during the year ended 31 December 2013. According to the 2012 Contractual Payment Plan, RMB5 million, RMB10 million, RMB13 million and RMB17 million will be repaid by the Pengzhou City Government for the year ended 31 December 2013, 2014, 2015 and 2016 respectively.

Up to the date of report, RMB4 million repayment in form of cash is still under approval by the Pengzhou City Government.

(ii) In March 2004, Oriental Industrial Holdings Pte., Ltd. ("Oriental"), a subsidiary of the Company and the Pengzhou City Government entered into an agreement, in which Oriental agreed to advance funds to the Pengzhou City Government for construction of certain electricity supply facilities in Sichuan. The advance was eventually made by Sichuan Yadong, a subsidiary of Oriental. Pursuant to the 2012 Contractual Payment Plan, the remaining will be repaid before 30 April 2014.

During the current year, RMB5 million repayment in form of cash was received (2012: RMB3.94 million). As at 31 December 2013, the outstanding balance is approximately RMB1.24 million (2012: RMB6.24 million).

37. LONG TERM PREPAID RENTAL

	2013 RMB'000	2012 RMB'000
Prepaid rental to Yangzhou No. 2 Power Plant Company Limited (the " Yangzhou No. 2 Power Plant") *(note a)*	11,769	14,241
Taizhou Yongan Port Co., Ltd. *(note b)*	17,000	–
	28,769	14,241
Less: Amounts due within one year (included in Trade and other receivables)	(3,675)	(3,150)
Amounts due after one year	25,094	11,091

Notes:

a. *In June 2010, in order to secure the exclusive use of the extended port in Yangzhou, Jiangsu province of the PRC, Yangzhou Yadong Cement Co. Ltd. ("Yangzhou Yadong"), a subsidiary of the Company, has entered into an agreement with a port lessor (an independent third party) namely Yangzhou No. 2 Power Plant, pursuant to which Yangzhou Yadong prepaid RMB20 million to facilitate the construction of an extended port during the year 2010. According to the agreement, Yangzhou No.2 Power Plant will repay the amount through the deduction of rental expenses incurred by Yangzhou Yadong in its port. The lease for the port was negotiated for a term of 20 years. The minimum annual rental charged by Yangzhou No. 2 Power Plant is RMB1.5 million each year starting from 2011 to the end of the lease, representing minimum annual usage of 500,000 tons, charged at a rate of RMB3 per ton. Usage in excess of the minimum level will be charged at a rate of RMB2 per ton.*

   During the current year, RMB2.472 million (2012: RMB2.254 million) has been utilised through offsetting the rental expenses and the outstanding prepaid balance as at 31 December 2013 is RMB11.7 million (2012: RMB14.2 million).

b. *In 2013, in order to secure the exclusive use of the extended port in Taizhou, Jiangsu province of the PRC, Oriental Holding Co., Ltd. ("Oriental Holding"), a subsidiary of the Company, has entered into an agreement with a port lessor (an independent third party) namely Taizhou Yongan Port Co., Ltd., pursuant to which Oriental Holding agreed to prepay RMB30 million for the exclusive use of the port. During the year, RMB17 million has been paid by Oriental Holding to Taizhou Yongan Port Co., Ltd. and the remaining amount of RMB13 million will be paid upon the completion of the installation of facilities and equipment in the port. According to the agreement, Taizhou Yongan Port Co. Ltd will repay the amount through the deduction of rental expenses of RMB2 million each year incurred by Oriental Holding (or its designated associate) in its port. The lease for the port was negotiated for a term of 20 years and will be unconditionally renewed for another 20 years.*

   As at 31 December 2013, the outstanding prepaid balance is RMB17 million (2012: nil).

38. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
Balance at 1 January 2013	6,000
Provision for the year	3,052
Balance at 31 December 2013	**9,052**

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of quarry should undertake the obligation of environmental restoration. After taking into account the quantity of limestone excavated and the timing of environment restoration in between 2018 to 2047, a provision has been recognised for the costs expected to be incurred for the environmental restoration. Addition in provision is recognised as cost of sales of the related limestone excavated and sold.

39. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	10,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	1,556,250,000	155,625	139,549

40. OPERATING LEASES

The Group as lessee

	2013 RMB'000	2012 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**11,307**	19,513
Contingent rents paid/payable under operating leases during the year *(note)*	**10,494**	7,158
	21,801	26,671

Note: *Contingent rents are changed base on the Group's actual usage of the port and trucks during the current year. These leases are under operating leases.*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**12,094**	17,477
In the second to fifth years inclusive	**79,139**	49,020
After five years	**706,239**	123,840
	797,472	190,337

Operating lease payments represent rental payable by the Group for certain of its port facilities, office premises and motor vehicles to certain customers. Leases are negotiated for terms ranging from 1 to 20 years. There are no operating lease commitments for motor vehicles and the rentals are based on actual usage.

40. OPERATING LEASES (continued)

The Group as lessor

Rental income earned was RMB4,740,000 and RMB714,000 for the years ended 31 December 2013 and 2012, respectively. The Group leases its plant and machinery under operating lease arrangements.

At the end of the reporting period, the Group had contracted with lessee for the following future minimum lease payments:

	2013 RMB'000	2012 RMB'000
Within one year	**4,391**	4,391
In the second to fifth year inclusive	**12,554**	16,495
	16,945	20,886

41. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**627,523**	431,991
Land use rights	**4,322**	4,322
Capital expenditure in respect of establishment of a joint venture *(note)*	**500,000**	–
	1,131,845	436,313

Note:

On 14 August 2013, the Company, the immediate holding company of FENC ("FEPHL") and another company (collectively the "Parties") entered into an investment agreement, whereby the Parties agreed to invest in a company (the "Joint Venture Company") for the purpose of developing a plot of land in Pudong, Shanghai, the PRC (the "Development Project"). The Company shall contribute the investment amounts of RMB500 million, representing 40% equity interest in the Joint Venture Company, upon (i) the Joint Venture Company having procured a construction permit in respect of the Development Project, (ii) Asia Cement Corporation having procured a permit from Taiwan Investment Commission regarding the capital contributions to the Joint Venture Company; and (iii) the construction progress of the Development Project attains 25%.

42. SHARE BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Equity-settled share option scheme:

Pursuant to a written resolution of all the shareholders on 13 December 2007, a share option scheme ("Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Company may grant options to the employees of the Company or of its subsidiaries to subscribe for shares of the Company.

42. SHARE BASED PAYMENT TRANSACTIONS (continued)

(a) Pre-IPO Share Option Scheme (continued)

During the year ended 31 December 2008, options under the Pre-IPO Share Option Scheme with 11,578,000 shares, representing approximately 0.7% of the enlarged issued share capital of the Company as at 31 December 2008 were granted. The estimated fair value of the options at the date of grant is approximately HK$26,202,000 (equivalent to approximately RMB23,547,000). For the years ended 31 December 2013 and 2012, no options have been granted under Pre-IPO Share Option Scheme.

Details of the share options which were granted under the Pre-IPO Share Option Scheme and remained outstanding at the end of the reporting period are as follows:

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Vesting date	As at 31.12.2012 and 31.12.2013
Directors	17 April 2008	HK$4.2075	17.4.2009–16.4.2014	17.4.2009	2,013,000
			17.4.2011–16.4.2014	17.4.2011	2,013,000
			17.4.2012–16.4.2014	17.4.2012	2,074,000
					6,100,000
Employees under continuous employment contract	17 April 2008	HK$4.2075	17.4.2011–16.4.2014	17.4.2011	1,643,400
			17.4.2012–16.4.2014	17.4.2012	1,643,400
			17.4.2013–16.4.2014	17.4.2013	1,095,600
			17.4.2013–16.4.2014	17.4.2013	1,095,600
					5,478,000
					11,578,000

No options were exercised under Pre-IPO Share Option Scheme during the years ended 31 December 2013 and 2012.

The Group recognised the total expense of approximately RMB124,000 (2012: approximately RMB381,000) for the year in relation to share options granted by the Company.

Binomial model has been used to estimate the fair value of the options at the date of grant. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

(b) Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 27 April 2008 (the "Share Option Scheme"), the directors of the Company may invite management and employees to take up options at a price determined by the Board of Directors but in any event shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant and; (iii) the nominal value of the shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date.

As at 31 December 2013 and 2012, no options have been granted under the Share Option Scheme.

43. RETIREMENT BENEFITS SCHEME

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

The total cost charged to profit or loss of approximately RMB22,344,000 (2012: approximately RMB21,984,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2013, contributions of RMB980,000 (2012: RMB737,000) as at 31 December 2013 have not been paid over to the schemes.

44. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in notes 29 and 30, the Group had also entered into the following significant transactions with related parties during the year.

	2013 RMB'000	2012 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**80,981**	78,123
Associate:		
Hubei Zhongjian		
– Sales of goods	**15,473**	12,794

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**7,015**	7,396

The remuneration of directors and chief executives is determined by having regard to the performance of individuals and market trends.

45. GOVERNMENT GRANT INCOME

	2013 RMB'000	2012 RMB'000
Incentive subsidies *(note a)*	**17,328**	23,171
Value-added tax refund *(note b)*	**44,933**	49,973
Others *(note c)*	**253**	86
	62,514	73,230

Notes:

a. *Incentive subsidies were granted by the relevant PRC authorities to certain PRC subsidiaries of the Group for being the top ten taxpayers and the amount was based on 20% of Enterprise Income Tax paid. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval is obtained from the relevant PRC authorities.*

b. *certain PRC subsidiaries of the Group received refund of value-added tax from the relevant PRC tax authorities for purchasing reusable materials. It was granted quarterly when the total reusable materials consumed were more than 30% of the total materials consumed for production. There were no other specific conditions attached to the grants and, therefore, the Group recognised the grants upon approval is obtained from the relevant PRC authority.*

c. *The amount includes certain incentives to attract foreign investment from the relevant PRC tax authorities in the form of profits tax refunds.*

46. SUBSIDIARIES

(a) General Information of subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2013	2012	**2013**	2012	
*Perfect Industrial Holdings Pte., Ltd.	British Virgin Islands	Ordinary	US$7,817,330	**100%**	100%	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$553,262,651	**99.99%**	99.99%	**100%**	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	**99.99%**	99.99%	**100%**	100%	Investment holding

46. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the company		Principal activities
				2013	2012	2013	2012	
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$353,104,433	94.99%	94.99%	89%	89%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$36,140,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd.[1]	PRC	Ordinary	RMB12,500,000	97.39%	97.39%	100%	100%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd.[1]	PRC	Ordinary	RMB21,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$99,407,000	99.99%	99.99%	100%	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	94.99%	94.99%	100%	100%	Manufacture and sale of concrete

46. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2013	2012	Proportion of voting power held by the company 2013	2012	Principal activities
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	72.49%	72.49%	78%	78%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$154,800,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$168,340,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$4,100,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	US$86,170,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd.[2]	PRC	Ordinary	RMB13,000,000	99.99%	99.99%	100%	100%	Provision of transportation services

46. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2013	2012	Proportion of voting power held by the company 2013	2012	Principal activities
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd.[2]	PRC	Ordinary	US$3,500,000	**99.99%**	99.99%	**100%**	100%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$35,530,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	**99.99%**	99.99%	**100%**	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3] *(note 46c)*	PRC	Ordinary	RMB90,000,000	**89.99%**	69.99%	**83%**	71%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co.,Ltd.[2]	PRC	Ordinary	USD5,000,000	**99.99%**	–	**100%**	–	Sale and storage of cement product

1 *These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.*
2 *These companies were established in the PRC in the form of wholly foreign-owned enterprise.*
3 *This company was established in the PRC in the form of foreign-invested enterprise.*

Note: In current year, the Group acquired addition 20% equity interest from non-controlling interest shareholders by consideration of RMB98.06 million. Therefore, the Group's shareholding increase from 69,99% to 89.99%.

* *This company is directly held by Asia Cement (China) Holdings Corporation and the remaining subsidiaries are held by this company.*

None of the subsidiaries had issued any debt securities at the end of the year.

46. SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries 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 subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest		Proportion of voting right		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	**5.01%**	5.01%	**11%**	11%	**15,454**	6,547	**170,776**	156,752
Individually immaterial subsidiaries with non-controlling interests								**71,698**	125,719
								242,474	282,471

Note:

Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangxi Ya Dong Cement Corporation Ltd.

	2013 RMB'000	2012 RMB'000
Current assets	**1,521,465**	1,716,004
Non-current assets	**4,392,286**	3,154,512
Current liabilities	**(1,792,659)**	(1,371,778)
Non-current liabilities	**(347,741)**	(363,714)
Equity attributable to owners of the Company	**3,602,576**	2,978,272
Non-controlling interests	**170,775**	156,752

46. SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Jiangxi Ya Dong Cement Corporation Ltd. (continued)

	2013 RMB'000	2012 RMB'000
Revenue	**2,578,329**	2,321,110
Expenses	**(2,269,248)**	(2,190,173)
Profit for the year	**309,081**	130,937
Profit attributable to owners of the Company	**293,627**	124,390
Profit attributable to the non-controlling interests	**15,454**	6,547
Profit for the year	**309,081**	130,937
Dividends paid to non-controlling interests	**1,431**	5,758
Net cash inflow from operating activities	**598,686**	873,008
Net cash outflow from investing activities	**(1,223,535)**	(491,183)
Net cash inflow (outflow) from financing activities	**539,523**	(299,732)
Net cash (outflow) inflow	**(85,326)**	82,093

(c) Change in ownership interest in a subsidiary

During the current year, the Group acquired additional 20% of its interest in Wuhan Yaxin at a consideration of RMB98.06 million, increasing its continuing interest to 89.99%. An amount of RMB60.08 million (being the proportionate share of the carrying amount of the net assets of Wuhan Yaxin) has been transferred from non-controlling interests. The difference of RMB37.98 million between the decrease in the non-controlling interests and the consideration paid is recognised directly in equity.

47. MAJOR NON-CASH TRANSACTIONS

During the current year, long-term receivables of RMB5,565,000 (2012: nil) due from Ruichang City Government were offsetting through a citizen re-location compensation payable by Jiangxi Ya Dong (note 36a).

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2013 RMB'000	2012 RMB'000
Unlisted investments in subsidiaries	**6,435,406**	5,767,774
Amounts due from subsidiaries	**3,014,850**	2,971,854
Bank balances	**325,525**	241,118
Available-for-sales investments	**99,690**	–
Held-for-trading investments	**–**	55,143
Held-to-maturity investments	**–**	126,225
Other receivables	**4,317**	1,691
Total assets	**9,879,788**	9,163,805
Borrowings	**3,991,032**	3,709,894
Derivative liabilities	**6,300**	10,539
Other payables	**603,669**	14,437
Total liabilities	**4,601,001**	3,734,870
Net assets	**5,278,787**	5,428,935
Share capital *(note 39)*	**139,549**	139,549
Reserves *(note)*	**5,139,238**	5,289,386
Total equity	**5,278,787**	5,428,935

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Reserves

	Share premium RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Hedging reserve RMB'000	Investment revaluation reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At January 1, 2012	3,376,570	2,073,316	22,134	(7,772)	–	(144,355)	5,319,893
Profit for the year	–	–	–	–	–	236,442	236,442
Other comprehensive expense for the year	–	–	–	(2,767)	–	–	(2,767)
Total comprehensive (expense) income for the year	–	–	–	(2,767)	–	236,442	233,675
Recognition of equity-settled share-based payments	–	–	381	–	–	–	381
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(264,563)	(264,563)
At 31 December 2012	3,376,570	2,073,316	22,515	(10,539)	–	(172,476)	5,289,386
Profit for the year	–	–	–	–	–	735	735
Other comprehensive income for the year	–	–	–	4,239	379	–	4,618
Total comprehensive income for the year	–	–	–	4,239	379	735	5,353
Recognition of equity-settled share-based payments	–	–	124	–	–	–	124
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(155,625)	(155,625)
At 31 December 2013	**3,376,570**	**2,073,316**	**22,639**	**(6,300)**	**379**	**(327,366)**	**5,139,238**

Financial Summary

RESULTS

	For the year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Revenue	4,207,408	5,707,320	8,206,833	6,684,149	**7,330,818**
Profit before tax	696,290	643,285	1,742,141	508,927	**1,109,024**
Income tax expense	(81,004)	(115,555)	(352,746)	(102,321)	**(262,720)**
Profit for the year	615,286	527,730	1,389,395	406,606	**846,304**
Attributable to:					
Owners of the Company	609,966	510,873	1,340,836	395,123	**823,010**
Non-controlling interests	5,320	16,857	48,559	11,483	**23,294**
	615,286	527,730	1,389,395	406,606	**846,304**

ASSETS AND LIABILITIES

	At 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Total assets	12,659,536	14,499,900	16,122,366	15,648,964	**17,361,715**
Total liabilities	5,592,445	7,010,111	7,398,733	6,765,284	**7,883,892**
	7,067,091	7,489,789	8,723,633	8,883,680	**9,477,823**
Equity attributable to:					
Owners of the Company	6,934,158	7,293,933	8,473,035	8,601,209	**9,235,349**
Non-controlling interests	132,933	195,856	250,598	282,471	**242,474**
	7,067,091	7,489,789	8,723,633	8,883,680	**9,477,823**