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



2012 Annual Report

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

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

REGISTERED OFFICE

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PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Ma-Tou Town, Ruichang City
Jiangxi Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion of Unit B, 11th Floor
Lippo Leighton Tower
103 Leighton Road
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor
Royal Bank House
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George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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28 Queen's Road East
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PRINCIPAL BANKERS

China Construction Bank
Bank of China
Bank of Communications

HONG KONG LEGAL ADVISER

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AUDITORS

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Hong Kong

STOCK CODE

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COMPANY WEBSITE

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CONTACT DETAILS

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FINANCIAL HIGHLIGHTS

	Notes	2012 RMB'000	2011 RMB'000	% Change Increase (Decrease)
Revenue		**6,684,149**	8,206,833	(19)
Gross profit		**1,121,968**	2,286,398	(51)
Profit for the year		**406,606**	1,389,395	(71)
Profit attributable to owners of the Company		**395,123**	1,340,836	(71)
Gross profit margin		**17%**	28%	(39)
Net profit margin	*1*	**6%**	17%	(65)
Earning per share				
— Basic		**RMB0.25**	RMB0.86	(71)
— Diluted		**RMB0.25**	RMB0.86	(71)
Total assets		**15,648,964**	16,122,366	(3)
Net assets		**8,883,680**	8,723,633	2
Liquidity and Gearing				
Current ratio	*2*	**1.47**	2.58	
Quick ratio	*3*	**1.25**	2.23	
Gearing ratio	*4*	**0.43**	0.46	

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.*

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 2012.

Chairman's Statement

The building materials industry is very sensitive to the business cycle. It is therefore subject to a relatively large impact from fixed asset investment as well as the entire industrial production and national consumption. Moreover, it is closely connected with other industries and their ups and downs. In 2011, the building materials industry underwent a highly efficient and rapid development with a high industrial value. However, in 2012, under the double blow of massive flux of new capacity to the market and shrinking cement consumption, the building materials industry remained depressed. Moreover, against the backdrop of capacity expansion and the narrowing of the gap between demand and supply, increasing sales volume through lowering price had become the trend. As a result, gross profit margin continued to drop and market adjustment deepened.

The world economy in 2012 continued the downward trend that prevailed in 2011. Developed countries, with depressed environment, were on a rocky recovery path, while growth in emerging economies slowed down. The intensity of international trade cooled down significantly, as the global financial market was on a roller-coaster ride. All these combined with political factors had contributed to the complexity and volatility of the global economy during the year. Compared with the complicated world economy, the Chinese economy, though under relatively strong downward pressure, was able to achieve a stable growth in 2012. The country's industrial enterprises above designated size realized a profit of RMB5.56 trillion in 2012, representing a year-on-year growth of 5.3%. During the year, the nation's gross domestic product was RMB51.93 trillion, representing a 7.8% increase from comparable prices of the previous year.

As opposed to the blooming environment in 2011, the cement industry in 2012 declined in general. The industry posted a total profit of approximately RMB56 billion, which was almost a 50% drop from that of 2011. The industry peak tended to occur during a period of increased demand and restrained supply. The restriction in electricity supply from July 2010 to January 2011 became an external constraint on production capacity, thereby stimulating the market. On the other hand, the low cement demand as well as the release of new capacity in 2012 caused the cement price to drop continuously, leading to sharp decline in the full-year net profits of a number of large companies. The Company was also greatly affected by the sluggish market, facing grave challenge and test.

The Group has established a strong foundation in Mainland China's cement industry for years. Leveraging high eco-friendly, high quality, high efficiency and low cost competitive advantages, the Group is a major large-scale quality cement supplier in mid and downstream areas of the Yangtze River and in the southwestern regions. The Group's clinker production volume in 2012 ranked 13th in the industry. Over the years, the Group has maintained a highly efficient operation, achieving a 100% production-to-sales ratio. The Group targets to continually expand the share of the markets surrounding its manufacturing plants within the regions. Among the Group's major regional markets, the Nanchang-Jiujiang region of Jiangxi reported a sales volume of 3.8 million tonnes, accounting for 31% of market share; Wuhan of Hubei reported a sales volume of 5 million tonnes and a market share of 27%; Chengdu of Sichuan reported a sales volume of 4.9 million tonnes and a market share of 21%; and Yangzhou of Jiangsu reported a sales volume of 2.0 million tonnes and a market share of 30%.

The global environment is rapidly changing and highly competitive. Every decision and action made at this moment will greatly affect the future landscape and cannot be postponed or dodged. As such, one should not only proactively manage the present situation, but also identify his/her mission, direction and core competitiveness as soon as possible to prepare for the future. With the slowdown in the growth of the Chinese economy, the impact of overcapacity on the industry's profit will deepen. As the high growth and high profit era fades away, we should acquire a better understanding of what situation we are in and follow the development trend, continue to innovate and excel, pay high regard to the quality of growth and economic benefits. All these can enable us to pursue better operating results. The market situation in the previous year has provided us with an important revelation: increase in output or sales volume did not necessarily indicate better development; only by maintaining a balanced supply-demand relationship, stabilized product price, and reasonable returns can a sustainable and healthy development of the industry be achieved.

With the inauguration of the new term of government leadership, the government emphasizes on the deepening of economic reforms, facilitating the strategic transformation of the economy, and maintaining the balance, coordination and sustainability of economic development, all of which are in the right direction. We expect the future Chinese economy will maintain a steady growth. In view of future challenges, the Group needs to "win the future", by continuing to focus on seven aspects: transformation, adaptability, scale, innovation, efficiency, cost and human resources. Only those enterprises with the ability to adapt and make timely transformation and changes according to the environment can capture opportunities, ride out the storm and continue to grow. The Group will continue with its development strategy with the aim to become one of the top 10 cement groups, to increase competitiveness and market dominance. Meanwhile, we should strive to innovate and maintain at the forefront via exploring different ideas. Through dedicated efforts, we should aim to enhance efficiency and lower cost, to create winning opportunities. Cultivating human resources is another task that the Group will be focusing on.

In order for the Group to continue to grow, its management team is required to be humble at all times, be self-alerted and develop self-encouragement, remains vigilant, is willing to take responsibility, follows closely and analyses the development of the macro-economy, has insights into the economic pulse, plans for the future, and thinks and reflects more than others. Any expansion or acquisition in future will require the necessary conditions and adoption of appropriate structure and method. All in all, cement is an important basic material for building an economy. With the development of the Chinese economy, the cement industry, as a pillar industry of the national economy, still has much room for growth in future. The Group will grasp the growth momentum to continue to develop and expand, maximizing returns for shareholders.

HSU, Shu-tong
Chairman

CHANG, Tsai-hsiung *Vice Chairman*

Vice Chairman's Statement

The cement industry is a pillar industry of economic development. The market is sustained by the State's continued roll-out of infrastructural projects. Although the cement industry was severely affected by aggravation of overcapacity and the plunge of cement prices to rock bottom in 2012, the promulgation of a series of government measures show a better future for the industry, while urbanization and the resumption of infrastructure projects will put the cement market on the right track for improvement in 2013.

An overview of the industry's overall development in 2012 showed that in China, there were 160 million tonnes of new clinker production capacity. National cement production volume amounted to about 2.2 billion tonnes, cement production capacity reached 2.8 billion tonnes, and there were approximately 1,586 new type rotary kilns, and new dry process capacity accounted for 90% of the total production capacity, the cement industry was undoubtedly overcapacity in absolute terms. It is worth noting that the merger and acquisition activities within the industry increased, with industry concentration on the rise, large corporations would be more influential in regional markets. It is estimated that the concentration of the top 10 largest cement companies in terms of capacity will reach 25%.

Affected by factors including slowdown in China's fixed asset investment growth, slow progress in infrastructure construction due to tight liquidity, depressed real estate market due to austerity measures, growth in the cement market demand declined in 2012. This combined with the continuous supply of new capacity had led to overcapacity in the cement industry. Competition intensified and the selling price of cement continued to fall from the first quarter to the third quarter, significantly cutting into the margins of cement manufacturers. In response to the rapid changes in the macro-operating environment, the Group had swiftly taken various measures: actively pushed ahead with technical modification, and energy saving and emission reduction, thereby lifting both production volume and quality; continued to raise the standards for internal control, reducing costs and enhancing the Company's competitiveness in various aspects; with regard to business, strove to explore new sales approach and markets to increase market dominance and ensure 100% production-to-sales ratio; also in line with market trend, responded to China Cement Association's call for energy saving and emission reduction, and suspended production according to circumstances to avoid unhealthy competition. The Group has tried its best to minimize the impact of unfavorable factors through active communication and unrelenting efforts.

The Group has a well-established regional network along the Yangtze River, from Chengdu through Wuhan, Changjiu to Shanghai and Yangzhou. After years of operation, the Group has become a highly competitive mid-large sized cement company, with a well-known brand. In view of the Group's parent company's five decades of operation in Taiwan and its own 15 years of management experience in Mainland China, the Group has a well-thought-out plan to select, train and have in place the right candidates at all levels to ensure successors will follow the path of quality operation. Over the years, the Group has been purchasing its advanced equipment from different countries using an "a la carte" approach, leading to an extremely high efficient operating rate (90%) and capacity utilization rate (120%), which are way ahead of its peers. Despite the relatively high total investment in the bulkhead wharf and mining equipment, the Group achieved 100% production-to-sales ratio, thereby benefiting from the low cost advantage. The Group also maintained its market share leadership in Chengdu, Wuhan, Changjiu and Yangzhou, and increased sales in markets near its manufacturing plants. As such, the Group was able to secure dominance and high profit margins in regional markets.

With the "Twelve Five Year Plan" now at the critical stage of building a prosperous society, the national economy will continue to maintain a steady and rapid growth. The cement industry has better opportunities for development, as industrialization, urbanization and rural development will further stimulate domestic demand, and infrastructure projects such as affordable housing construction and high-speed railway, mass transit railway, hydraulic facilities, agriculture and rural development will drive continuous growth in cement demand. In view of the complex and uncertain political and economic environments at home and abroad, the market may experience some setbacks in the short run. China, being the second largest economy in the world, will inevitably achieve its "stable growth" and balanced development through expanding domestic demand, accelerating urbanization progress as well as narrowing the gap between different regions.

The outlook for the macro-economy in 2013 should be positive as it is the first year after the convention of the 18th National Congress. Cement demand is expected to maintain steady growth, while the selling prices of cement are likely to remain stable since cement is the basic raw material required for economic development. As such, we are also confident about the future.

CHANG, Tsai-hsiung
Vice Chairman

WU, Chung-lih *Chief Executive Officer*

To our shareholders,

2012 was a tough year for the cement industry. Along with the slowdown in the growth of the macro-economy, the growth in demand in the cement industry declined and inventory level increased significantly. Profits across the industry plummeted from that of 2011. Despite various measures taken by the Group in response to changes in the market situation, the Group's earnings performance was affected by the overall environment and showed significant decline when compared to that of 2011. Owing to sharp decline in cement prices, the Group reported great variations in revenue and net profit after tax for the year ended 31 December 2012 when compared with those of the previous year. Revenue and net profit after tax of the Group for the year ended 31 December 2012 amounted to RMB6,684.1 million and RMB406.6 million respectively.

CEO's Review

During the year under review, the Group's 11 kilns were in full operation and the Group achieved 100% production-to-sales ratio. In 2012, the Group produced 17,773,000 tonnes of clinker, representing a 3% year-on-year increase, and 24,845,000 tonnes of cement (including slag powder). The Group also sold 22,708,000 tonnes of cement, together with 1,173,000 tonnes of clinker and 871,000 tonnes of slag powder, and the total sales volume amounted to 24,752,000 tonnes, representing a 3% increase from that of the previous year.

In view of the industry merger, acquisition and consolidation in full swing amid the hardest time of the industry and a possible market reshuffle, how to maintain competitive advantage to capture opportunities brought forth by a turnaround in the market was the question we were facing. For the Group in 2012, "Change, Adaptation, Innovation, and Upgrade" were the keys.

Change: improved and strengthened the existing management model, and established a centralized management platform for cost control. Through this platform, the Group maximised communication and coordination, achieving full synergistic effects, while information and data regarding various types of equipment and materials was shared and coordinated to reduce inventory and wastage. Spare parts, tires, fuel, sandstones, steel plates, and coal had been purchased through a central procurement system to obtain bargaining prices. The Group also controlled its purchase price via bulk purchase by fully capitalising on the synergy achieved through its parent company and associated enterprises' assistance in sourcing and logistics.

Adaptation: new development trend and business model made us aware that we must be able to adjust and adapt, and such ability to adapt to the new environment determines an enterprise's opportunity to sustain its healthy operation.

Innovation: the Group tried to use domestically made important parts such as raw mills and coal mills so as to significantly reduce the cost of building a plant. The Group stepped up its efforts in technological modification and innovation. Upon completion of the technical upgrade, the Group benefited from reduced investment cost, shortened investment payback period and improved efficiency, and was on track to an innovation-driven development and internal improvement. The capacity utilisation of the 10 cement kilns constructed by the Group exceeded 260 kg/cbmh, with a maximum of 295 kg/cbmh, which marks substantial improvement from the past.

Upgrade: improved the management of our Group in the business aspects ranging from production to administration through clarification and improvement of various systems and measures. Promotion of the concept of institutionalization and thus enhancement of management performance level were realized through optimization, understanding, respect and compliance with the system. The Group achieved seamless integration through the participation of all staff, while adopting safety programme and standardization across the production, transportation and sales processes. With a common goal and everyone complying with the system, there was no blind spot throughout the entire operation process. Vehicles, vessels, machinery and equipment were well-maintained to ensure operation safety and zero accident throughout the year. The Group also adopted standard operating procedures (SOP) to regulate the various processes and to strictly control the quality of new construction projects and expansion projects, as well as repair work of different scales. In addition to system optimization, the Group further strengthened the electronic communication system of various departments with central management as the medium. Leveraging advanced information tools, the Group refined its management. For example, the upgrade/optimization of SAP system, promotion of the business intelligence (BI) system, application of web-based Notes system, and implementation of a series of measures including establishment of mobile office had allowed the Group to fine-tune the operation management platform, achieve environmental protection and energy saving and move towards paperless management. Furthermore, each member of our Group companies had strengthened its internal control, and the whole process of production, from procurement of raw materials and fuel to delivery of products, was computerised. Not only had it further refined the workflow, but also avoided any possible human errors, and raised the overall management standard and efficiency of the Company.

In January 2013, the Ministry of Industry and Information Technology promulgated the *Guiding Opinions Regarding Accelerating the Merger and Reorganization of Enterprises in Key Industries* (the "Opinions"), with a view to raising industry concentration, promoting large-scale and intensive operation, improving market competitiveness, and encouraging the optimization and upgrade of industrial structure, through promoting mergers and reorganisation of enterprises. In respect of the cement industry, the Opinions require that by 2015, the concentration of the top 10 cement companies shall reach 35%, and 3 to 4 of these 10 companies shall be building materials conglomerates possessing strong core competitiveness and influence

CEO's Review

on international markets, each with a clinker production capacity of over 100 million tonnes and a complete supply chain from mines, aggregate, commercial concrete to cement-based material products. While total cement production capacity is on the rise and growth in demand is slowing down, the only practical way to maintain a healthy market environment is to increase the market share of large-scale companies and raise the level of market concentration. The introduction of the above policy undoubtedly has played a very positive and important role in the future development of the cement industry.

The Group's current production capacity is approximately 24 million tonnes and will reach 30 million tonnes when Jiangxi Yadong No. 5 and No. 6 kilns are put into production in 2013. The Group's current clinker production volume ranks among the top 15 in the industry. In response to the industry development trend, the Group has been committed to becoming one of the top 10 cement producers with an annual output of 50 million tonnes. In order to achieve this target, the Group will expand through construction of new production lines and acquisitions. In line with government policies, the Group will identify and acquire, at a reasonable price, cement companies that would complement the Group's business, and construct new kilns so as to improve the Group's dominance in its major markets. The Group also plans to enter Northern China and other potential markets such as Western China, and will push ahead with the construction plan of Hebei Yadong No. 1 and No. 2 kilns, and Hubei Yadong No. 3 kiln and Huanggang Yadong No.2 kiln, in order to tap into the northern and western markets and extend the influence of the Group beyond the middle and lower reaches of the Yangtze River. With respect to the construction of grinding station and transfer station along the Yangtze River, the Group plans to identify a suitable location along the Yangtze River to build a grinding station/transfer station. Such station will be built in close proximity to markets to reduce transportation costs, and expand sales coverage to increase profits. This will remain as the Group's unswerving objective.

2012 was a year of ups and downs in the cement market. The price plunged during the first three quarters, and recovered slowly in the fourth quarter. Based on current market intelligence, we can cautiously estimate that the uncertainty causing weak demand will gradually clear. Along with the "12th Five-Year Plan" and convention of the 18th National Congress, the development of the cement enterprises is boosted by the favourable news, including strong promotion of urbanization and resumption of investment in high-speed railway. It is expected that starting from late March of 2013, supply of new production capacity and market demand will basically remain stable. The cement industry will enter into a period of steady growth and value stabilization. The Group is confident that it will leverage its competitive edge to seize market opportunities, and achieve outstanding performance to reward its shareholders in the coming year.

WU, Chung-lih
CEO

Management Discussion And Analysis

Management Discussion and Analysis

1. BUSINESS REVIEW

Haunted by various negative factors, the global economy in 2012 lacked growth momentum. Against such a backdrop, China's annual GDP growth rate, although still reaching a relatively high level of 7.8%, had significantly slowed down when compared to 2011's 9.2%. Similar situations were found in other economic indicators including fixed assets investment, total import and export amount and real estate investment. The impact of the ups and downs of the economy was deeply felt by the cement sector, which is a pillar industry of China. From January to August 2012, new capacity (40 million tonnes per annum) in the various regions where the Group operated was unleashed. Despite the slight growth in demand, the market was unable to digest such an enormous amount of additional capacity. Moreover, severe price wars had led to the decline in market price, trimming the industry profits by more than 50% when compared to that of the same period in 2011. However, since September 2012, the measures introduced by the Chinese government to stabilise economic growth had significantly driven market demand. While cement enterprises also actively conformed with China Cement Association's call for self-discipline and promotion of energy-saving and emission reduction. As a result, the selling price began to rise. In 2012, cement consumption amounted to 2.2 billion tonnes, up by 7% from 2.06 billion tonnes in 2011.

In 2011, new clinker production capacity of 205 million tonnes was unleashed, and in 2012, there was an additional supply of 90 million tonnes, indicating an aggravation of overcapacity. The government spared no effort to continue to push ahead with the elimination of obsolete production capacities. In 2012, a total of 1,053 backward cement companies, with an aggregate capacity of 270 million tonnes were closed down. The eliminated capacities had reached record high, which significantly helped to ease the pressure of excessive capacity in the cement industry.

The Group is a leading integrated cement manufacturer in the mid and downstream regions of Yangtze River, as well as a major integrated cement producer in Sichuan, with an extensive coverage of sales network. The Group has extended its business to downstream industries, setting up commercial concrete companies in various areas to provide a wide range of choices to consumers. In 2012, the Group increased its production volume through improved production process and better management. Such increase in output volume was realised before the expansion of new production capacity. Sales volume of cement and clinker of the Group for 2012 rose by 5%, from 22,845,000 tonnes in 2011 to 23,881,000 tonnes in 2012. The Group realised a satisfactory profit when compared with other industry players.

Sichuan Region

Almost all the new capacities have been released, but the market demand driven by the post-earthquake reconstruction works has also come to an end. According to the relevant statistics, cement demand in Sichuan Province in 2012 declined by 11% (national demand grew by 7% on average). From January to September 2012, in order to secure market share, industry players engaged in fierce competition, leading to decline in market price and sluggish sales. Since the fourth quarter, driven by the cement association and leading enterprises, market players engaged in energy-saving and emission reduction to suspend production. This together with the market demand brought by the traditional peak season had led to rebound in cement prices, while sales volume rose by certain degrees. In 2012, the Company sold a total of 5,100,000 tonnes of cement, representing a 3% increase when compared to 4,930,000 tonnes in 2011.

Central and downstream regions of Yangtze River

The Group's main production and sales areas are located in central and downstream regions of Yangtze River, with convenient water transport by which products can be conveniently and swiftly transported and sold to various markets along the river. In 2012, the markets along the middle and lower reaches of the Yangtze River rebounded after experiencing declines.

1. In the first half of 2012, there were 35,000,000 tonnes of new cement production capacity unfolded in the region. All the cement producers strove to maximise their production and sales volume. Despite the slight increase in market demand, the market was unable to digest the excessive capacities. The price wars among market players with the aim of securing customers caused cement price to plummet. Some players responded to the cement association's call and engaged in market discipline to save energy and reduce emission. However, the effects of short-term suspension of production could not change the downward trend of the overall market. Market prices continued to decline and hit rock bottom in August 2012.

2. Since September 2012, demand gradually rose on robust rural market and government's accelerated infrastructure investment, enabling the market to quickly reduce its inventory level. After three quarters of price war, market players were gradually weakened, and began to engage in energy-saving and emission reduction to suspend production led by the cement association, with satisfactory results. The market price had rebounded from the bottom by RMB90-100 per tonne.

3. Sales volume of cement and clinker of the Group in 2012 reached historical high in these regions, amounting to 17,610,000 tonnes and 840,000 tonnes respectively.

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 2012, the Group's revenue amounted to RMB6,684.1 million, representing a decrease of RMB1,522.7 million or 19% from RMB8,206.8 million for 2011. The decrease in revenue was mainly attributable to the slowdown of China's economy and China's fixed asset investment since the second half of 2011. Therefore, the market selling prices of cement products in China in general continued to drop during 2012. The selling prices and revenue of the Group's cement products had been inevitably impacted.

Region	**2012 RMB'000**	**%**	2011 RMB'000	%
Central Yangtze River	**3,939,397**	**59**	4,783,948	58
Sichuan	**1,485,326**	**22**	1,711,861	21
Yangtze River Delta and Others	**1,259,426**	**19**	1,711,024	21
Total	**6,684,149**	**100**	8,206,833	100

Management Discussion and Analysis

In respect of revenue contribution for 2012, sales of cement products accounted for 84% (2011: 87%) and sales of concrete accounted for 9% (2011: 8%). The table below shows the sales breakdown by product during the reporting period:

	2012 RMB'000	%	2011 RMB'000	%
Cement Products	**5,638,970**	**84**	7,112,885	87
Clinker	**232,947**	**4**	119,653	1
RMC	**625,008**	**9**	672,860	8
Blast-furnace slag powder	**187,224**	**3**	301,435	4
Total	**6,684,149**	**100**	8,206,833	100

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

	2012 '000 units	2011 '000 units
Cement Products	**22,708**	22,401
Clinker	**1,173**	444
RMC	**1,990**	2,017
Blast-furnace slag powder	**871**	1,171

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 products was RMB248 per tonne in 2012 (2011: RMB317 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 2012, the Group's cost of sales decreased by 6% to RMB5,562.2 million from RMB5,920.4 million for 2011 due to the decrease in the cost of raw materials and fuel expenses.

The gross profit for 2012 was RMB1,122.0 million (2011: RMB2,286.4 million), with a gross profit margin of 17% (2011: 28%). The adjustment in gross profit was mainly attributable to the significant decrease in average selling price of the Company's products 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 2012, other income amounted to RMB155.9 million, representing an increase of RMB21.5 million or 16% from RMB134.4 million for 2011. The increase in other income was attributable to the increase in interest income on bank deposits 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 2012, other gains and losses amounted to RMB17.1 million, representing a decrease of RMB113.9 million or 87% from RMB131.0 million for 2011. The decrease in other gains and losses was principally attributable to the decrease in foreign exchange gains from US dollar-denominated bank borrowings.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2012, the distribution and selling expenses amounted to RMB332.5 million, representing an increase of RMB8.3 million or 3% from RMB324.2 million for 2011. The increase in distribution costs was attributable to the increase in repair and maintenance costs in 2012.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses decreased by 4%, from RMB274.5 million to RMB264.3 million. The decrease was attributable to the decrease in the general office expenses.

The 9% 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 2012 decreased by RMB1,233.2 million, or 71%, to RMB508.9 million from RMB1,742.1 million for 2011.

Income Tax Expenses

In 2012, income tax expenses decreased by RMB250.4 million, or 71%, to RMB102.3 million from RMB352.7 million for 2011. The effective tax rate of the Group for 2011 and 2012 was 20.2% and 20.1% respectively.

Non-controlling Interests

In 2012, non-controlling interests amounted to RMB11.5 million, representing a decrease of RMB37.1 million, or 76%, from RMB48.6 million for 2011 primarily due to a decrease in profit contribution from Jiangxi Yadong and Wuhan Yaxin.

Profit for the Year

For 2012, the net profit of the Group amounted to RMB406.6 million, representing a decrease of RMB982.8 million or 71% from RMB1,389.4 million for 2011.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the year ended 31 December 2012. Total assets decreased by 3% to approximately RMB15,649.0 million (31 December 2011: approximately RMB16,122.4 million) while total equity grew by 2% to approximately RMB8,883.7 million (31 December 2011: approximately RMB8,723.6 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2012, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB1,660.8 million (31 December 2011: RMB1,768.3 million) of which about 96% was denominated in RMB and about 4% 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 RMB1,291.1 million in 2011 to RMB1,550.0 million in 2012. This was mainly due to the decrease in trade and other receivables.

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 2012, the net cash used in investment activities of the Group amounted to RMB692.4 million, representing an increase of 58% from RMB437.7 million for 2011. The increase in cash flow by RMB254.7 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 and the purchase of investment product for treasury purpose.

In 2012, the net cash used in financing activities of the Group amounted to RMB968.3 million. This was primarily due to more repayment of bank borrowings made in 2012.

Capital Expenditure

Capital expenditure for the year ended 31 December 2012 amounted to approximately RMB627.3 million and capital commitments as at 31 December 2012 amounted to approximately RMB436.3 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.

Management Discussion and Analysis

Borrowings

The Group's borrowings as at 31 December 2012 and 2011 are summarised below:

	As at 31 December			
	2012		2011	
	RMB'000	%	RMB'000	%
Short-term borrowings	**2,739,881**	**45**	1,335,726	20
Long-term borrowings	**3,294,173**	**55**	5,216,061	80
Currency denomination				
– Renminbi	**2,251,737**	**37**	2,845,196	43
– US dollars	**3,782,317**	**63**	3,672,542	56
– Hong Kong dollars	**–**	**–**	34,049	1
Borrowings				
– secured	**–**	**–**	–	–
– unsecured	**6,034,054**	**100**	6,551,787	100
Interest rate structure				
– fixed-rate borrowings	**586,000**	**10**	640,388	10
– variable-rate borrowings	**5,448,054**	**90**	5,911,399	90
Interest rate				
– fixed-rate borrowings	**2.95%**		2.95%-5.90%	
– variable-rate borrowings	**90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–3.5%**		90% to 100% of the Benchmark Interest Rate of the PRC or LIBOR plus margin of 0.5%–3.5%	

As at 31 December 2012, the Group had unutilised credit facilities in the amount of RMB4,300 million.

As at 31 December 2012, the Group's gearing ratio was approximately 43% (31 December 2011: 46%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2012 and 2011 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2012.

Contingent Liabilities

As at the date of this report and as at 31 December 2012, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2012, the Group had 4,148 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 2012, 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 2012, 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 2012.

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

The Group remains relatively optimistic about the cement market in 2013, due to the following factors:

1. 2013 is the year where China's new leadership begins. Besides reinforcing various economic measures, the new government will also actively carry out more reforms after it comes to power. As such, the economic vitality in the short run will improve, while the pace of reform will accelerate. In view of the cement industry, the market demand will maintain steady growth. The government will actively push ahead with energy saving and emission reduction as well as structural adjustment, and continue to intensify elimination of obsolete capacity and promote mergers and acquisitions of large-scale enterprises. These are all beneficial to the long-term development of the cement industry.

2. In December 2012, Central Economic Work Conference highlighted the following measures: adjust macro-economic measures to promote sustainable and healthy development of the economy; strengthen agricultural development; and actively and steadily push ahead with urbanization, as well as strive to improve the quality of urbanization. As such, a further relaxation of the PRC government's fiscal policy is expected to be seen in 2013, and more resources will be allocated to fixed asset investment, affordable housing construction and transport infrastructure construction. Small and medium-sized cities and rural areas will have vast potential for development. In addition, since October 2012, the PRC government has accelerated approval of infrastructure projects (construction of railways, highways, airports, urban mass transits and integrated logistic centres). This combined with significant increase in industrial power supply indicates that the market will be stabilized and improved, with strong support for cement demand in near future.

3. The inauguration of new capacity for cement production in 2012 has significantly slowed down, and deceleration is expected to increase in 2013. Meanwhile, the PRC Ministry of Industry required each province and city to report the plan for eliminating obsolete cement capacity in 2013. It is expected that the amount to be eliminated will exceed 200 million tonnes, which may partly help to relieve the problem of overcapacity.

4. In December 2012, China's top two largest cement manufacturers – China National Building Material Company Limited and Anhui Conch Cement Company Limited entered into a strategic cooperation agreement. These two corporations will strengthen interaction and cooperation in respect of energy saving, technology and market coordination in future. The cooperation between these two corporations will significantly boost confidence in the cement market. It also signifies that the industry is gradually shifting from unhealthy competition to healthy competition, and from irrational price war to a more rational approach for mutual benefits.

5. China Cement Association, as a representative of the industry associations, has a well-developed operating structure through close to two years of continuous exploration and improvement. Moreover, the association has also gained wide recognition and respect from industry players. In 2013, the association will continue to play a pivotal role in the aspect of energy-saving and emission reduction, which will facilitate the balance of market and acceleration of eliminating obsolete production capacity.

6. The Group remains confident in all of its developments in future. It will continue to leverage its competitive edge and uphold its business philosophy of "Integrity, Diligence, Simplicity, Prudence and Innovation". It will seize various opportunities and overcome difficulties, as well as strengthening its internal management, with the aim to expand and consolidate its business. The Group will also speed up the construction of Jiangxi Yadong No. 5 and No. 6 new dry process rotary kilns (each has a daily clinker production capacity of 6,000 tonnes) which are expected to be completed and commence operation in 2013. In the meantime, the Group will step up merger and acquisition activities, to further improve its overall market planning, and will strive to achieve the target annual production capacity of 50,000,000 tonnes as early as possible. All in all, by leveraging its existing leading market position and proven track record in aligning its business development strategies with government industry policies, the Group expects its profitability to be improved subject to market conditions.

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 2012, 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, Mr. Lei, Qian-zhi, Mr. Tsim, Tak-lung Dominic and Dr. Wong Ying-ho Kennedy, the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 25 May 2012 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 ten Directors, including five executive Directors, one non-executive Directors and four independent non-executive Directors. Board members are listed below:

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang

Independent non-executive Directors

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

Biographical information of the Directors is set forth on pages 24 to 26 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, which may be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof after the first year of service of the Director 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.

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 four meetings were held in 2012. 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 2012.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	4/4
Mr. CHANG, Tsai-hsiung	4/4
Dr. WU, Chung-lih	4/4
Madam CHIANG SHAO, Ruey-huey	4/4
Mr. CHANG, Chuen-kuen	4/4
Mr. LIN, Seng-chang	4/4
Mr. LIU, Zhen-tao	4/4
Mr. LEI, Qian-zhi	4/4
Mr. TSIM, Tak-lung Dominic	3/4
Dr. WONG, Ying-ho Kennedy	4/4

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.

NON-EXECUTIVE DIRECTORS AND RE-ELECTION

According to Article 86 of the Articles, all directors appointed to fill a causal vacancy should be subject to re-election by shareholders at the first 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.

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.

With effect from 1 April 2012, all Directors are required to provide the Company with his or her training records on a yearly basis. During the year, the Company received training records from all Directors relevant to the Company's business or to Directors' duties and responsibilities.

Corporate Governance Report

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 2012 and all members attended the meetings.

A set of written terms of reference, which described the authority and duties of the Audit Committee, was amended and 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 was chaired by Mr. HSU, Shu-tong in 2011 and until 15 March 2012. To comply with the amendments to the CG Code which will be effective from 1 April 2012, Mr. HSU, Shu-tong has resigned as the chairman of the Remuneration Committee but remains as a member, and Dr. WONG, Ying-ho Kennedy has been appointed as the chairman with effect from 16 March 2012.

One meeting was held in 2012 and all members attended the meeting.

A set of written terms of reference, which described the authority and duties of the Remuneration Committee, was amended and 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 2012 is set out below:

Remuneration bands	Number of individuals
RMB500,001-RMB1,000,000	6
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 2012 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 was established by the Board on 16 March 2012. 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 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 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.

No meeting was held in 2012 as there was no change to the directorships of the Company during the year.

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 terms of reference of the Board and the revised terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee and the shareholder communication policy of the Company.

Corporate Governance Report

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 2012, 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 39 to 40 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 39 to 40 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2012 is as follows:

	2012 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 2012, 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 2012 ("2012 AGM") was held on 25 May 2012. The notice of the 2012 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2012 AGM.

The attendance record of the directors at the 2012 AGM 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 Directors	
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	0/1
Dr. WONG, Ying-ho Kennedy	0/1

The Company's external auditor also attended the 2012 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 2012, 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 five executive Directors, one non-executive Director and four independent non-executive Directors. Their details are set out below:

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. HSU, Shu-tong (徐旭東), aged 71, 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 229 companies extending into China with operations in countries including Canada, Hong Kong, Singapore, Malaysia, and Thailand. FEG has a workforce of 53,000 in 2011 and has total assets of US$60 billion and annual revenues of US$22 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; Telecommunication; Retail/Department Stores and Hotels. Family Foundations encourage social responsibilities and include the establishment of Taiwan's leading technical institute, private university, and hospital.

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, Asia Society in NY, 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 Consultant to Chinese Taipei Olympic Committee. He is also Consul General of the Honorary Consulate of the Ivory Coast in Taipei, ROC.

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.

EXECUTIVE DIRECTORS

Mr. CHANG, Tsai-hsiung (張才雄), aged 89, 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 63, 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 65, 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 65, 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 40 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 69 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 40 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU, Zhen-tao (劉震濤), aged 75, 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 71, has served as an independent non-executive Director of the Company since April 2008. Mr. LEI is a professor engineer. He is the president of the China Cement Association Council and the vice-president of the China Building Material Industry Association Council. 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 vice president of China Building Material Industry Association from February 2001 to June 2004. 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 66, 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.

Directors and Senior Management

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, DCL, JP, aged 50, 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, **Shanghai Industrial Urban Development Group Limited, and Hong Kong Airlines 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. Dr. WONG received an Honorary Degree of Doctor of Civil Laws from the University of Kent in July 2007.

SENIOR MANAGEMENT

Mr. FANG, Lu-hsing (方履興), aged 61, 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 62, is the associate of the administration department and the manager of the united procurement department of the Group. 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 57, 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. LIN, Chiang-hua (林江海), aged 54, is the manager of information technology department of the Group. Mr. LIN is primarily responsible for managing the maintenance and upgrade work of the information technology system of the Group. Mr. LIN has approximately 30 years of experience of information technology in the cement industry. Mr. LIN graduated from the Oriental Institute of Technology in Taiwan majoring in electronics. Mr. LIN joined Asia Cement in December 1984 and joined the Group in December 2004.

Mr. LEE, Shaw-shan (李紹先), aged 58, 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 63, 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 39, is the company secretary and one of the authorized representatives of the Company. He has over 15 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 2012.

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 100 to 102 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 2012 are set out in the consolidated statement of comprehensive income on page 41.

The Directors recommended the payment of a final dividend of RMB10 cents per ordinary share, totaling RMB155,625,000 in respect of the year to shareholders on the register of members on 28 May 2013. The proposed final dividend for the year ended 31 December 2012 has been approved at the Company's Board meeting on 22 March 2013. Details of the dividends for the year ended 31 December 2012 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, 15 May 2013 to Wednesday, 22 May 2013, 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, 22 May 2013 ("AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Tuesday, 14 May 2013.

Subject to the approval of shareholders at the 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 Tuesday, 28 May 2013 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 28 May 2013.

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 2012, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB3,204.1 million. The amount of approximately RMB3,204.1 million includes the Company's share premium account of approximately RMB3,376.6 million and accumulated losses of approximately RMB172.5 million in aggregate as at 31 December 2012, 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 RMB1.3 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 37 and 40 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 2011 and 2012.
— 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 2011 and 2012.
— 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 2012 are set out in Note 42 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' Report

DIRECTORS

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

Chairman and non-executive Director

Mr. HSU, Shu-tong

Executive Directors

Mr. CHANG, Tsai-hsiung
Dr. WU, Chung-lih
Madam CHIANG SHAO, Ruey-huey
Mr. CHANG, Chuen-kuen
Mr. LIN, Seng-chang

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 meeting of the Company. 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.

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 24 to 27 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 2012 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, which may be terminated in accordance with the provisions of the service contract after the first year of service of the Director by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to each of the non-executive Directors for a term of three years commencing on 27 April 2011, which may be terminated in accordance with the provisions thereof after the first year of service of the Director 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' Report

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

As at 31 December 2012, 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

	Number of ordinary shares			% of the Company's issued shares
Name of Director	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	Through spouse	Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	441,514	58,514	–	500,028	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	73,637	2,349	–	75,986	0.002%
	Oriental Industrial	1,000	–	–	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	22,374,409	7,808,855	–	30,183,264	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	11,417	5,150	–	16,567	0.0005%
Mr. Lin, Seng-chang	Asia Cement	7,115	458	–	7,573	0.0002%

Save as disclosed above, as at 31 December 2012, 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.

Directors' Report

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

As at 31 December 2012 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 2012, 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 2012, 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%

Directors' Report

(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 2012 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2012	Granted during the year	Options exercised during the year	Option lapsed on expiry	Options cancelled upon termination of employment	Option outstanding at 31 December 2012
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 2012, 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 2012.

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.

Directors' Report

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 35 to the financial statements.

Receivable from the Ruichang City Government

During 2012, approximately RMB0.97 million had been repaid by the Ruichang City Government. The repayment was made by offsetting the dividends paid to Jiangxi Construction Materials Group Company (being the minority shareholder of Jiangxi Yadong and an investment vehicle of Ruichang City Government).

The Directors are of the view that since Jiangxi Yadong is expected to continue operation and remain profitable, it will have positive tax obligation and will make dividend payments to its shareholders. As such, the Directors expect that, through (i) offsetting of certain future land use tax payments; and (ii) offsetting of the future dividends to the minority shareholder of Jiangxi Yadong, the Directors consider that these advances will be fully recoverable by 2017.

Receivable from the Wuhan City Government

During 2012, the Group did not receive any repayment from the Wuhan City Government. However, RMB10 million had been repaid by Wuhan City Government in January 2013, RMB8 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 2012.

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

22 March 2013

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 41 to 103, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 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.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, 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
22 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	7	**6,684,149**	8,206,833
Cost of sales		**(5,562,181)**	(5,920,435)
Gross profit		**1,121,968**	2,286,398
Other income	9	**155,941**	134,396
Other gains and losses	10	**17,125**	130,969
Distribution and selling expenses		**(332,547)**	(324,176)
Administrative expenses		**(264,253)**	(274,464)
Share of profit of jointly controlled entities		**4,047**	974
Share of profit of an associate		**1,377**	1,852
Finance costs	11	**(194,731)**	(213,808)
Profit before tax		**508,927**	1,742,141
Income tax expense	12	**(102,321)**	(352,746)
Profit for the year	13	**406,606**	1,389,395
Other comprehensive expense:			
Fair value loss on a hedging instrument in cash flow hedge		**(2,767)**	(7,772)
Total comprehensive income for the year		**403,839**	1,381,623
Profit for the year attributable to:			
Owners of the Company		**395,123**	1,340,836
Non-controlling interests		**11,483**	48,559
		406,606	1,389,395
Total comprehensive income for the year attributable to:			
Owners of the Company		**392,356**	1,333,064
Non-controlling interests		**11,483**	48,559
		403,839	1,381,623
		RMB	RMB
Earnings per share	16		
Basic		**0.25**	0.86
Diluted		**0.25**	0.86

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**9,380,366**	9,557,197
Quarry	*18*	**214,909**	219,475
Prepaid lease payments	*19*	**582,957**	536,954
Goodwill	*20*	**138,759**	138,759
Other intangible assets	*21*	**13,981**	17,839
Interest in a jointly controlled entity	*22*	**28,891**	25,344
Interest in an associate	*23*	**14,982**	13,605
Held-to-maturity investments	*24*	**126,225**	–
Restricted bank deposits	*31*	**25,840**	19,217
Deferred tax assets	*34*	**20,761**	21,200
Long term receivables	*35*	**59,417**	59,383
		10,607,088	10,608,973
CURRENT ASSETS			
Inventories	*25*	**757,090**	741,106
Long term receivables – due within one year	*35*	**16,011**	14,942
Trade and other receivables	*26*	**2,557,010**	2,986,842
Held-for-trading investments	*27*	**55,143**	–
Prepaid lease payments	*19*	**17,080**	14,552
Amount due from an associate	*28*	**4,614**	6,892
Restricted bank deposits	*31*	**14,814**	18,192
Bank balances and cash	*31*	**1,620,114**	1,730,867
		5,041,876	5,513,393
CURRENT LIABILITIES			
Trade and other payables	*32*	**660,156**	720,211
Amounts due to non-controlling interests	*29*	**2,043**	10,955
Amount due to a jointly controlled entity	*28*	**8,267**	3,899
Tax payables		**26,132**	68,030
Borrowings – due within one year	*33*	**2,739,881**	1,335,726
		3,436,479	2,138,821
NET CURRENT ASSETS		**1,605,397**	3,374,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,212,485**	13,983,545

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Other payables	32	–	12,000
Borrowings – due after one year	33	3,294,173	5,216,061
Derivative liabilities	30	10,539	7,772
Deferred tax liabilities	34	18,093	24,079
Provision for environmental restoration	36	6,000	–
		3,328,805	5,259,912
NET ASSETS		8,883,680	8,723,633
CAPITAL AND RESERVES			
Share capital	37	139,549	139,549
Reserves		8,461,660	8,333,486
Equity attributable to owners of the Company		8,601,209	8,473,035
Non-controlling interests		282,471	250,598
TOTAL EQUITY		8,883,680	8,723,633

The consolidated financial statements on pages 41 to 103 were approved and authorised for issue by the Board of Directors on 22 March 2013 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 2012

	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 reserve RMB'000 *(note c)*	Share option reserve RMB'000	Hedging reserve RMB'000 *(note f)*	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	139,549	3,376,570	425,596	286,038	1,673,893	20,471	–	1,371,816	7,293,933	195,856	7,489,789
Profit for the year	–	–	–	–	–	–	–	1,340,836	1,340,836	48,559	1,389,395
Other comprehensive expense for the year	–	–	–	–	–	–	(7,772)	–	(7,772)	–	(7,772)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(7,772)	1,340,836	1,333,064	48,559	1,381,623
Appropriation	–	–	132,025	–	–	–	–	(132,025)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	1,663	–	–	1,663	–	1,663
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,760)	(6,760)
Capital contribution from a non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	–	12,943	12,943
At 31 December 2011	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 non-controlling interests *(note e)*	–	–	–	–	–	–	–	–	–	29,138	29,138
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

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 2012 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 2012 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 in 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%; and (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.*

d. *The capital contribution from a non-controlling shareholder represents its share of additional contributed capital of US$2,000,000 (equivalent to RMB12,943,000) in Jiangxi Ya Dong Cement Corporation Ltd. ("Jiangxi Ya Dong"). The registered capital of Jiangxi Ya Dong was increased during the year ended 31 December 2011 and contributed by the Group and a non-controlling shareholder on a pro rata basis based on the existing ownership.*

e. *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 and of RMB18,000,000 in Wuhan Yaxin Cement Co., Ltd. ("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.*

f. *The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2012 of US$50,000,000 (2011: 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 30.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**508,927**	1,742,141
Adjustments for:		
Depreciation and amortisation	**744,521**	733,969
Finance costs	**194,731**	213,808
Provision for environmental restoration	**6,000**	–
Rental expenses *(notes 35d and 45)*	**2,254**	2,309
Dividend expenses *(notes 35a and 45)*	**967**	1,598
Loss on disposal/write-off of property, plant and equipment	**693**	11,961
Share-based payment expense	**381**	1,663
Interest income on bank deposits	**(60,553)**	(27,963)
(Reversal of) allowance for doubtful debts, net	**(10,857)**	25,947
Share of profit of jointly controlled entities	**(4,047)**	(974)
Share of profit of an associate	**(1,377)**	(1,852)
Gain on changes in fair value of held-for-trading investments	**(349)**	–
Imputed interest income on long term receivables	**(264)**	(386)
Interest income on held-to-maturity investments	**(115)**	–
Loss on changes in fair value of derivative financial instruments, net	**–**	1,991
Gain on disposal of a jointly controlled entity	**–**	(31)
Operating cash flows before movements in working capital	**1,380,912**	2,704,181
Decrease (increase) in trade and other receivables	**440,689**	(1,029,300)
Increase (decrease) in amount due to a jointly controlled entity	**4,368**	(2,041)
Decrease (increase) in amount due from an associate	**2,278**	(5,912)
(Decrease) increase in trade and other payables	**(57,742)**	49,086
Increase in held-for-trading investments	**(54,794)**	–
Increase in inventories	**(15,984)**	(61,437)
Increase in derivative financial instruments	**–**	(16,530)
Cash generated from operations	**1,699,727**	1,638,047
Income taxes paid	**(149,766)**	(346,918)
NET CASH FROM OPERATING ACTIVITIES	**1,549,961**	1,291,129

	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES		
Interest received on bank deposits	**60,553**	27,963
Proceeds on disposal of property, plant and equipment	**18,847**	13,493
Withdrawal of restricted bank deposits	**10,529**	27,851
Repayments of long term receivables from local governments in PRC	**3,940**	21,705
Proceeds on disposal of a jointly controlled entity	**–**	23,916
Dividends received from a jointly controlled entity	**500**	500
Interest received on held-to-maturity investments	**115**	–
Purchases of property, plant and equipment	**(595,620)**	(463,469)
Purchases of held-to-maturity investments	**(126,225)**	–
Payment for acquisition of quarries	**(23,215)**	(16,355)
Purchases of land use rights	**(18,914)**	(3,678)
Placement of restricted bank deposits	**(13,774)**	(45,491)
Advances to local governments in PRC	**(8,000)**	(5,461)
Purchases of intangible assets	**(1,148)**	(2,253)
Acquisition of a subsidiary	**–**	(13,417)
Capital contribution to a jointly controlled entity	**–**	(3,000)
NET CASH USED IN INVESTING ACTIVITIES	**(692,412)**	(437,696)
FINANCING ACTIVITIES		
New borrowings raised	**1,154,867**	1,830,082
Capital contribution from non-controlling interests	**29,138**	12,943
Repayments of borrowings	**(1,672,600)**	(1,249,621)
Dividends paid	**(264,563)**	(155,625)
Interest paid	**(197,484)**	(213,639)
Repayments to non-controlling interests	**(8,912)**	(26,045)
Dividends paid to non-controlling interests	**(8,748)**	(6,760)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(968,302)**	191,335
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(110,753)**	1,044,768
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,730,867**	686,099
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,620,114**	1,730,867

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands 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 Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies 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 are 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")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly called the IFRIC).

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to 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 IFRSs issued 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:

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

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

New and revised IFRSs issued but not yet effective (continued)

[1] *Effective for annual periods beginning on or after 1 January 2013.*

[2] *Effective for annual periods beginning on or after 1 January 2014.*

[3] *Effective for annual periods beginning on or after 1 January 2015.*

[4] *Effective for annual periods beginning on or after 1 July 2012.*

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.

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.

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

Based on the Group's financial assets and financial liabilities as at 31 December 2012, the directors of the Company anticipate that the adoption of IFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31 December 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and the application of these five standards may not have a significant impact on the consolidated financial statements except for more extensive disclosure about its interests in other entities when IFRS 12 is adopted for the first time in 2013.

IFRS 13 Fair Value Measurement

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

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

IFRS 13 Fair Value Measurement (continued)

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the new Standard may not affect the amounts reported in the consolidated financial statements but result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to IAS 1 are effective for the Group from annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Except as described above, the directors of the Company anticipate that the application of the other new and revised IFRSs will have no significant impact on the consolidated financial statements.

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, 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 assets.

The principal accounting policies are set out below:

Basis of consolidation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Allocation of total comprehensive income to non-controlling interests

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

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

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

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment 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 (see the accounting policy below); 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 standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (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 less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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 a jointly controlled entity. 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 to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity 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 it loses joint control over that jointly controlled entity.

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

Revenue recognition

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

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.

Advances from customers 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 construction in progress 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 construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate 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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

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 for the (i) acquisition of rights to excavate mines and (ii) 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. (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.

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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants attached with a condition that the Group should purchase 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 or state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

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 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 interest in a jointly controlled entity, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and held-to-maturity investments. 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 instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL includes financial assets held for trading.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 6.

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, 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 on impairment loss on financial assets below).

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's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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.

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 asset, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 or long term 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.

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.

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.

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.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near 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 statement of comprehensive income and excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including borrowings, trade and other payables, amounts due to non-controlling interests and amount due to a jointly controlled entity) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

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 and losses' line item.

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 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 shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged interest expenses affect 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.

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 is recognised in profit or loss, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is reclassified to 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.

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For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, 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 during the vesting period, 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.

When the share options are exercised, the amount previously recognised in the 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 the share options reserve will be transferred to retained profits.

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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

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

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value not amortised cost.

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is RMB126,225,000 (2011: Nil). Details of these assets are set out in note 24.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2012, 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 2012, the carrying amounts of trade and other receivables and long term receivables are approximately RMB2,352,671,000 (2011: RMB2,773,346,000) (net of allowance for doubtful debts of approximately RMB65,221,000 (2011: RMB76,477,000)) and approximately RMB75,428,000 (2011: RMB74,325,000), respectively. During the year ended 31 December 2012, net reversal of doubtful debts of approximately RMB10,857,000 (2011: net allowance for doubtful debts of RMB25,947,000) is recognised in the consolidated statement of comprehensive income.

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 2012, the carrying amount of goodwill is approximately RMB138,759,000 (2011: RMB138,759,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 20.

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 from the prior years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 33, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,093,481	4,622,839
Held-for-trading investments	55,143	–
Held-to-maturity investments	126,225	–
Financial liabilities		
Amortised cost	6,528,255	7,079,986
Derivative financial instruments	10,539	7,772

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, long term receivables, amount due from an associate, restricted bank deposits, bank balances and cash, held-for-trading investments, held-to-maturity investments, borrowings, trade and other payables, amounts due to non-controlling interests, amount due to a jointly controlled entity and derivative financial instruments. 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 2012, 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 of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to the concentration of credit risk in relation to the long term receivables from certain PRC local governments and a port lessor (note 35). 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.

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.

The concentration of credit risk in relation to held-to-maturity investments (note 24) is limited. The Group's held-to-maturity investments are spread evenly over nine listed debt securities issued by companies listed in Hong Kong, South Korea or France. External rating such as Standard & Poor's and Moody's ratings or their equivalents are used by the management for managing credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

The credit risk on liquid funds is limited because the counterparties are reputable banks in the PRC and Hong Kong.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 35), fixed-rate borrowings (note 33), restricted bank deposits (note 31) and fixed-rate held-to-maturity investments (note 24).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 31) and variable-rate borrowings (note 33).

The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into a US$50,000,000 USD interest rate swap contract to partially hedge against its exposures to changes in interest rate of a USD denominated bank borrowing. The interest rate swap is designated as effective hedging instrument and hedge accounting is used (see note 30 for details).

The management of the Group monitors 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's 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 the 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 (2011: 100 basis-point) and a 30 basis-point (2011: 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 (2011: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2012 would decrease/increase by approximately RMB47,086,000 (2011: RMB51,501,000). This is mainly attributable to the Group's exposure to the interest rates on its variable-rate borrowings.

Bank balances

If interest rates had been 30 basis points (2011: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2012 would increase/decrease by approximately RMB3,212,000 (2011: RMB3,575,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(ii) Currency risk

Certain bank deposits (note 31) and bank borrowings (note 33) of the Group are denominated in USD, Singapore dollars ("SGD") and Hong Kong dollars ("HKD"), being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

The management monitors 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% (2011: 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 and SGD. For a 10% weakening of RMB against USD, HKD and SGD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Impact of USD		Impact of HKD		Impact of SGD	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**363,534**	352,195	**(272)**	2,154	**(67)**	(71)

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 management 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.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 31.12.2012 RMB'000
2012							
Trade and other payables		483,891				483,891	483,891
Amounts due to non-controlling interests		2,043				2,043	2,043
Amounts due to a jointly controlled entity		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

	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 31.12.2011 RMB'000
2011							
Trade and other payables	–	498,345	3,000	3,000	9,000	513,345	513,345
Amounts due to non-controlling interests	–	10,955	–	–	–	10,955	10,955
Amounts due to a jointly controlled entity	–	3,899	–	–	–	3,899	3,899
Variable interest rate borrowings	3.40	484,370	821,414	2,451,943	2,555,151	6,312,878	5,911,399
Fixed interest rate borrowings	3.18	59,275	8,644	17,287	603,287	688,493	640,388
		1,056,844	833,058	2,472,230	3,167,438	7,529,570	7,079,986

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair values of derivative instruments are measured using quoted price and yield curves derived from quoted interest rates matching the maturities of the contracts.

The fair values of held-for-trading investments with standard terms and conditions are determined by the reference prices provided by counterparty financial institution.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 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).

	31.12.2012			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Held-for-trading investments	**–**	**55,143**	**–**	**55,143**
Financial liability at FVTPL				
USD interest rate swap	**–**	**(10,539)**	**–**	**(10,539)**

	31.12.2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liability at FVTPL				
USD interest rate swap	–	(7,772)	–	(7,772)

There were no transfers between Level 1 and 2 in both years.

7. REVENUE

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

	2012 RMB'000	2011 RMB'000
Sales of cement products and related products	6,059,141	7,533,973
Sales of concrete	625,008	672,860
	6,684,149	8,206,833

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 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 jointly controlled entity					4,047
Share of profit of an associate					1,377
Finance costs					(194,731)
Profit before tax					508,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2011

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	7,533,973	672,860	8,206,833	–	8,206,833
Inter-segment sales	148,929	27,419	176,348	(176,348)	–
Total	7,682,902	700,279	8,383,181	(176,348)	8,206,833
Segment result	1,980,831	45,140	2,025,971	(25,322)	2,000,649
Unallocated income					21,161
Central administration costs, directors' salaries and other unallocated expense					(68,687)
Share of profit of jointly controlled entities					974
Share of profit of an associate					1,852
Finance costs					(213,808)
Profit before tax					1,742,141

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 jointly controlled entities 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
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**

	Cement business RMB'000	Concrete business RMB'000	Unallocated RMB'000	Consolidated RMB'000
2011				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(24,947)	(563)	(2,453)	(27,963)
Government grants	(71,947)	(742)	(160)	(72,849)
Depreciation and amortisation	689,335	33,587	11,047	733,969
Loss on disposal/write-off of property, plant and equipment	11,174	626	161	11,961
Allowance for (reversal of) doubtful debts, net	35,467	(9,050)	(470)	25,947
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	237,919	35,362	11,680	284,961

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.

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For the year ended 31 December 2012

9. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Government grants *(note 43)*	73,230	72,849
Transportation fee income	8,165	11,460
Sales of scrap materials	6,471	14,819
Interest income on bank deposits	60,553	27,963
Interest income on held-to-maturity investments	115	–
Imputed interest income on long term receivables	264	386
Rental income, net of outgoings *(note)*	714	655
Others	6,429	6,264
	155,941	134,396

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB420,000 (2011: RMB395,000).

10. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Exchange gains, net	6,612	170,837
Recovery of (allowance for) doubtful debts, net	10,857	(25,947)
Loss on disposal/write-off of property, plant and equipment *(note)*	(693)	(11,961)
Gain on disposal of a jointly controlled entity *(note 42)*	–	31
Loss on changes in fair value of derivative financial instruments, net	–	(1,991)
Gain on changes in fair value of held-for-trading investments	349	–
	17,125	130,969

Note: In the current year, the Group has reclassified the loss on disposal/write-off of property, plant and equipment of RMB693,000 (2011: RMB11,961,000) from administrative expenses to other gains and losses for better presentation.

11. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interests on:		
– Bank borrowings wholly repayable within five years	194,201	210,304
– Others	6,633	4,388
Total borrowing costs	200,834	214,692
Less: Interests capitalised	(6,103)	(884)
	194,731	213,808

Borrowing costs capitalised during the year ended 31 December 2012 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.28% (2011: 5.35%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
The tax expense comprises:		
Current tax:		
– PRC enterprise income tax ("EIT")	**102,402**	349,184
Under provision in prior years	**571**	184
Withholding tax paid	**4,895**	8,143
	107,868	357,511
Deferred tax *(note 34)*	**(5,547)**	(4,765)
	102,321	352,746

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

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards. On 26 December 2007, the State Council of the PRC issued a circular of Guofa [2007] No. 39 – Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives ("Circular 39"). The EIT Law and the Circular 39 have changed the applicable tax rate for certain PRC subsidiaries of the Group from the preferential rate of 15% to 24% and 25% for the years ended 31 December 2011and 2012 respectively.

Pursuant to article 2(1) of "The Notice of Taxation Preferential Policy in the Western Region issued by The General Office of Finance, The State Administration of Taxation, General Administration of Customs" ("Cai Shui [2001] no. 202"), "a preferential corporate tax rate of 15% is applicable to qualified domestic enterprises of national promoted industry set up in the western region and is valid from 2001 to 2010" and "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Fa [2007] no.39"), Sichuan Yadong was granted a tax concession to pay corporate income tax at a preferential rate of 15% until 2011. The tax rate of Sichuan Yadong is 25% from 1 January 2012 onwards.

Pursuant to the relevant laws and regulations 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. The tax rates of these subsidiaries are 12.5% for both years. The tax concessions of these subsidiaries were expired on 31 December 2012.

For the year ended 31 December 2012, the relevant tax rates for the PRC subsidiaries of the Group ranged from 12.5% to 25% (2011: ranged from 12.5% to 25%).

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 Islands and any other jurisdiction.

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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:

	2012 RMB'000	2011 RMB'000
Profit before tax	**508,927**	1,742,141
Tax at the PRC EIT rate of 25% (2011: 25%)	**127,232**	435,535
Tax effect of expenses not deductible for tax purposes	**7,899**	4,018
Tax effect of different tax rates of subsidiaries	**9,032**	20,167
Tax effect of share of profit of jointly controlled entities	**(1,012)**	(243)
Tax effect of share of profit of an associate	**(344)**	(463)
Effect of tax concessions granted to PRC subsidiaries	**(40,309)**	(118,265)
Under provision in prior years	**571**	184
Tax effect of tax losses not recognised	**–**	299
Utilisation of tax losses previously not recognised	**(722)**	–
Deferred tax on undistributed earnings of PRC subsidiaries	**(26)**	11,514
Income tax expense for the year	**102,321**	352,746

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 34.

13. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**711,351**	701,351
– Prepaid lease payments	**15,383**	15,392
– Quarry	**12,781**	12,391
– Other intangible assets	**5,006**	4,835
	744,521	733,969
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**305,553**	280,033
Retirement benefits scheme contributions	**21,984**	16,533
Total staff costs	**327,537**	296,566
Auditors' remuneration	**4,830**	6,330
Cost of inventories recognised as expenses	**5,562,181**	5,920,435
Rental payments under operating leases	**26,671**	20,170

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2011: ten) directors were as follows:

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
Mr. Wu, Chung-lih	321	1,530	–	–	1,851
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. 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.

Year ended 31 December 2011

	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	276	112	–	194	582
Mr. Chang, Tsai-hsiung	346	353	–	97	796
Mr. Wu, Chung-lih	294	1,297	–	26	1,617
Madam Chiang, Shao Ruey-huey	286	120	–	26	432
Mr. Chang, Chen-kuen	317	1,447	–	26	1,790
Mr. Lin, Seng-chang	285	1,104	–	26	1,415
Mr. Liu, Zhen-tao	199	–	–	–	199
Mr. Lei, Qian-zhi	199	–	–	–	199
Mr. Tsim, Tak-lung Dominic	199	–	–	–	199
Mr. Wong, Ying-ho Kennedy	199	–	–	–	199
	2,600	4,433	–	395	7,428

None of the directors waived any emoluments for both years.

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14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	2,699	2,556
Share-based payments	13	46
	2,712	2,602

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$1,000,001–HK$1,500,000	–	1
HK$1,500,001–HK$2,000,000	2	1

No emoluments were paid by the Group to the directors or 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

	2012 RMB'000	2011 RMB'000
Dividend recognised as distributions during the year:		
2011 Final, paid – RMB17 cents		
(2011: 2010 final dividend RMB10 cents) per share	264,563	155,625

A final dividend for the year ended 31 December 2012 of RMB10 cents per share (2011: RMB17 cents per share) amounting to approximately RMB155,625,000 (2011: RMB264,562,500) 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:

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share		
(Profit for the year attributable to owners of the Company)	395,123	1,340,836
	'000	'000
Number of shares		
Weighted average number of ordinary shares		
for the purpose of basic earnings per share	1,556,250	1,556,250
Effect of dilutive employee share options	–	1,169
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	1,556,250	1,557,419

The share options had anti-dilutive effect on the earnings per share for the year ended 31 December 2012 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 2011	2,681,972	8,632,237	286,640	374,194	1,307	383,919	12,360,269
Additions	2,642	1,642	7,675	37,725	136	212,855	262,675
Disposals/ write-off	(12,062)	(15,666)	(834)	(14,587)	–	–	(43,149)
Transfer	57,743	363,095	16,415	10,963	–	(448,216)	–
At 31 December 2011	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**
ACCUMULATED DEPRECIATION							
At 1 January 2011	267,856	1,741,976	158,166	170,817	127	–	2,338,942
Provided for the year	82,198	542,724	35,910	40,348	171	–	701,351
Eliminated on disposals/ write-off	(3,481)	(2,380)	(698)	(11,136)	–	–	(17,695)
At 31 December 2011	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**
CARRYING VALUES							
At 31 December 2012	**2,350,918**	**6,257,514**	**100,437**	**188,918**	**960**	**481,619**	**9,380,366**
At 31 December 2011	2,383,722	6,698,988	116,518	208,266	1,145	148,558	9,557,197

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 leases 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

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18. QUARRY

	RMB'000
COST	
At 1 January 2011	255,114
Additions	16,355
At 31 December 2011	271,469
Additions	8,215
At 31 December 2012	**279,684**
AMORTISATION	
At 1 January 2011	39,603
Provided for the year	12,391
At 31 December 2011	51,994
Provided for the year	12,781
At 31 December 2012	**64,775**
CARRYING VALUES	
At 31 December 2012	**214,909**
At 31 December 2011	219,475

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:

	2012 RMB'000	2011 RMB'000
Non-current assets	**582,957**	536,954
Current assets	**17,080**	14,552
	600,037	551,506

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 2012, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB226,172,000 (2011: approximately RMB195,512,000). The Group is currently in the process of obtaining these land use right certificates.

20. GOODWILL

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 year ended 31 December 2012, management of the Group determines 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 (2011: 10-year period) and discount rate of 11.47% per annum as at 31 December 2012 (2011: 11.63%). Due to the volatile selling price of cements in recent years, the management adjusted the financial budgets covering a 10-year period to a 5-year period in the current year which is considered to be more reliable and reasonable. Cash flows beyond the 5-year period (2011: 10-year period) are extrapolated using a steady 2.6% (2011: 3.1%) 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. Management believes 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 2011	779	18,310	5,596	24,685
Additions	–	–	2,253	2,253
Disposals	–	–	(4)	(4)
At 31 December 2011 and 1 January 2012	779	18,310	7,845	26,934
Additions	–	–	1,148	1,148
At 31 December 2012	**779**	**18,310**	**8,993**	**28,082**
ACCUMULATED AMORTISATION				
At 1 January 2011	779	1,831	1,654	4,264
Provided for the year	–	3,662	1,173	4,835
Disposals	–	–	(4)	(4)
At 31 December 2011 and 1 January 2012	779	5,493	2,823	9,095
Provided for the year	–	3,662	1,344	5,006
At 31 December 2012	**779**	**9,155**	**4,167**	**14,101**
CARRYING VALUES				
At 31 December 2012	**–**	**9,155**	**4,826**	**13,981**
At 31 December 2011	–	12,817	5,022	17,839

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21. OTHER INTANGIBLE ASSETS (continued)

The above items of other intangible assets are amortised on a straight-line basis at the following useful lives:

Backlog orders	½ year
Customer relationships	5 years
Software	5 years

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 RMB'000	2011 RMB'000
Investment in a jointly controlled entity, at cost	**17,750**	17,750
Share of post-acquisition profits and other comprehensive income, net of dividends received	**11,141**	7,594
	28,891	25,344

As at 31 December 2012 and 2011, the Group had interest in the following unlisted jointly controlled entity:

Name of entity	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2012	2011	Principal activity
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	The PRC	**50%**	50%	Provision of transportation services

The summarised financial information in respect of the Group's interest in the jointly controlled entity accounted for using the equity method is set out below:

	2012 RMB'000	2011 RMB'000
Current assets	**10,689**	5,887
Non-current assets	**31,071**	28,659
Current liabilities	**(12,869)**	(9,202)
Non-current liabilities	**–**	–
Net assets	**28,891**	25,344
Income recognised in profit or loss	**40,311**	22,394
Expense recognised in profit or loss	**(36,264)**	(21,420)

23. INTEREST IN AN ASSOCIATE

	2012 RMB'000	2011 RMB'000
Cost of investment in an unlisted associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**2,982**	1,605
	14,982	13,605

As at 31 December 2012 and 2011, the Group had interest in the following associate:

Name of entity	Form of entity	Principal place of establishment and operation	Proportion of nominal value of issued capital held by the Group 2012	2011	Proportion of voting power held 2012	2011	Principal activity
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Foreign-interested enterprise	The PRC	**40%**	40%	**40%**	40% *(note)*	Production and sales of concrete

Note:

The Group is able to exercise significant influence over Hubei Zhongjian because it has the power to appoint two out of the five directors of that company under the provisions stated in the Articles of Association of that company.

The summarised financial information in respect of the Group's associate is set out below:

	2012 RMB'000	2011 RMB'000
Total assets	**60,565**	54,931
Total liabilities	**(23,110)**	(20,919)
Net assets	**37,455**	34,012
Group's share of net assets of associate	**14,982**	13,605

	2012 RMB'000	2011 RMB'000
Revenue	**75,673**	79,371
Profit for the year	**3,443**	4,629
Other comprehensive income	**–**	–
Group's share of profits and other comprehensive income of associate for the year	**1,377**	1,852

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24. HELD-TO-MATURITY INVESTMENTS

	2012 RMB'000	2011 RMB'000
Non-current assets		
Debt securities, at amortised cost *(Note)*	126,225	–

Note:

The Group's held-to-maturity investments represent listed debt securities that are issued by companies listed in either Hong Kong, South Korea or France. The investments carry fixed interest at 1.85% – 7% per annum, payable semi-annually and will mature from February 2014 to October 2014. None of these assets are past due or impaired at the end of the reporting period.

The fair value of debt securities as at 31 December 2012 is approximately RMB126,862,000 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.

25. INVENTORIES

	2012 RMB'000	2011 RMB'000
Spare parts and ancillary materials	333,619	306,698
Raw materials	287,727	307,740
Work in progress	61,723	72,884
Finished goods	74,021	53,784
	757,090	741,106

26. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	1,116,918	978,086
Less: accumulated allowance	(62,889)	(74,145)
	1,054,029	903,941
Bills receivable	1,251,709	1,839,726
Other receivables	49,265	32,011
Less: accumulated allowance	(2,332)	(2,332)
	46,933	29,679
	2,352,671	2,773,346
Advances to suppliers	159,448	144,156
Deposits	8,246	7,516
Prepayments	2,130	3,434
Value-added tax recoverable	34,515	58,390
	2,557,010	2,986,842

26. TRADE AND OTHER RECEIVABLES (continued)

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

The following is an ageing analysis of trade receivable 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	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0-90 days	**467,775**	426,814	**192,439**	174,719	**660,214**	601,533
91-180 days	**96,136**	45,354	**117,475**	113,064	**213,611**	158,418
181-365 days	**5,338**	5,316	**134,490**	119,692	**139,828**	125,008
Over 365 days	**–**	–	**40,376**	18,982	**40,376**	18,982
	569,249	477,484	**484,780**	426,457	**1,054,029**	903,941

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	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0-90 days	**822,913**	1,220,886	**38,421**	14,670	**861,334**	1,235,556
91-180 days	**372,864**	591,751	**8,989**	5,958	**381,853**	597,709
181-365 days	**8,522**	5,961	**–**	500	**8,522**	6,461
	1,204,299	1,818,598	**47,410**	21,128	**1,251,709**	1,839,726

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 82% (2011: 85%) of the trade receivables as at 31 December 2012 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 are debtors with the aggregate carrying amount of approximately RMB101,474,000 (2011: RMB50,670,000) and RMB40,376,000 (2011: RMB18,982,000) for cement and concrete segments 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 sales 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.

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26. TRADE AND OTHER RECEIVABLES (continued)

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

	Cements		Concrete		Total	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Overdue by:						
1-90 days	**96,136**	45,354	**40,376**	18,982	**136,512**	64,336
91-275 days	**5,338**	5,316	**–**	–	**5,338**	5,316
	101,474	50,670	**40,376**	18,982	**141,850**	69,652

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

	Other receivables		Trade receivables	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**2,332**	2,332	**74,145**	48,735
Additions	**–**	–	**18,765**	37,858
Reversal	**–**	–	**(29,622)**	(11,911)
Written off	**–**	–	**(399)**	(537)
Balance at end of year	**2,332**	2,332	**62,889**	74,145

27. HELD-FOR-TRADING INVESTMENTS

	2012	2011
	RMB'000	RMB'000
Unlisted investment funds issued by corporate entities outside Hong Kong	**55,143**	–

Fair values of the investments reflect the fair values of the underlying assets of the funds, which are provided by counterparty financial institution.

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amount due from an associate

	2012 RMB'000	2011 RMB'000
Hubei Zhongjian (trade related)	**4,614**	6,892

The amount as at 31 December 2012 was unsecured, non-interest bearing and with a credit term of 30 days. The age of the amount is within 90 days.

(b) Amount due to a jointly controlled entity

	2012 RMB'000	2011 RMB'000
Wuhan Asia (trade related)	**8,267**	3,899

The amount as at 31 December 2012 was unsecured, non-interest bearing and with a credit term of 30 days. The ages of the amounts are within 90 days.

29. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts were of non-trade nature. It was unsecured, non-interest bearing and repayable on demand.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 Liabilities RMB'000	2011 Liabilities RMB'000
Derivative under hedge accounting		
USD interest rate swap	**10,539**	7,772

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 33).

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 2012 and 2011 are as follows:

Notional amount	Maturity	Swap
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.

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30. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

USD interest rate swap (continued)

During the year ended 31 December 2012, a fair value loss of RMB2,767,000 (2011: RMB7,772,000) 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.

31. 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 3.30% (2011: 0.01% to 2.60%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB261,219,000 (2011: RMB264,056,000) and approximately RMB1,399,125,000 (2011: RMB1,503,210,000), respectively.

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 relevant PRC authorities to make deposits, which are restricted for withdrawal, as guarantee money to the relevant PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2012, RMB25,840,000 (2011: RMB19,217,000) in its own bank account has been restricted for this purpose. Additional deposits will have to be made through annual instalments in subsequent years over the remaining periods of respective mining rights. The annual instalments will be deposited based on the notices issued by the relevant PRC authorities. 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 management of the Group expects 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 2012, the remaining deposits in its own bank account amounting to RMB14,814,000 (2011: RMB18,192,000) 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:

	2012 RMB'000	2011 RMB'000
Denominated in USD	**64,368**	76,202
Denominated in HKD	**2,724**	3,993
Denominated in SGD	**816**	863

32. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**295,135**	296,783
Bills payable	**9,196**	4,685
	304,331	301,468
Accruals	**74,170**	74,506
Advances from customers	**86,798**	92,700
Staff wages and welfare payable	**50,087**	54,310
Value added tax payable	**15,297**	51,660
Construction cost payable	**50,142**	52,805
Payables to ex-shareholders of Wuhan Yaxin	**–**	10,311
Other payables	**79,331**	94,451
	660,156	732,211
Analysed for reporting purposes as:		
Non-current liabilities *(note)*	**–**	12,000
Current liabilities	**660,156**	720,211
	660,156	732,211

Note: The balance represented consideration payables for acquisition of quarries and was fully settled during the year ended 31 December 2012.

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

	2012 RMB'000	2011 RMB'000
0–90 days	**272,654**	274,938
91–180 days	**15,601**	18,597
181–365 days	**7,517**	6,476
Over 365 days	**8,559**	1,457
	304,331	301,468

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.

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33. BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank borrowings – unsecured	**5,448,054**	5,961,399
Fixed rate notes – unsecured *(note)*	**586,000**	590,388
	6,034,054	6,551,787

Note:

In September 2011, the Company issued fixed rate unsecured notes in an aggregate principal amount of RMB586 million. 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 Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012 RMB'000	2011 RMB'000
Denominated in USD	**3,782,317**	3,672,542
Denominated in HKD	**–**	34,049

The borrowings are repayable as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**2,739,881**	1,335,726
In the second year	**1,584,447**	2,355,614
In the third year	**1,574,726**	1,350,461
In the fourth year	**135,000**	1,417,486
In the fifth year	**–**	92,500
	6,034,054	6,551,787
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(2,739,881)**	(1,335,726)
Amounts due for settlement after 12 months	**3,294,173**	5,216,061

33. BORROWINGS (continued)

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:

	2012 Carrying amount RMB'000	2012 Interest rates	2011 Carrying amount RMB'000	2011 Interest rates
Fixed-rate borrowings	**586,000**	**2.95%**	640,388	2.95% – 5.90%
Variable-rate borrowings	**5,448,054**	**90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 3.5%**	5,911,399	90% to 100% of Benchmark Rate, or LIBOR plus margin of 0.5% to 3.5%
	6,034,054		6,551,787	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 0.86% to 6.35% (2011: 1.09% to 6.56%) per annum. Interest is repriced quarterly.

34. DEFERRED TAX

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

	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 2011	(14,670)	(3,820)	12,767	2,403	1,037	(5,361)	–	(7,644)
Withholding tax paid	–	–	–	–	–	8,143	–	8,143
Credit (charge) to profit or loss	1,278	338	5,937	28	(659)	(11,514)	1,214	(3,378)
At 31 December 2011	(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**

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.

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34. DEFERRED TAX (continued)

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:

	2012 RMB'000	2011 RMB'000
Deferred tax assets	**20,761**	21,200
Deferred tax liabilities	**(18,093)**	(24,079)
	2,668	(2,879)

At 31 December 2012, the Group has unused tax losses of approximately RMB15,612,000 (2011: RMB12,613,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB15,612,000 (2011: RMB9,724,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB2,889,000 (2012: Nil) for the year ended 31 December 2011 due to the unpredictability of future profit stream, the unrecognised tax losses are fully utilised in the current year. As at 31 December 2012, the tax losses of RMB1,292,000, RMB4,269,000, RMB3,194,000 and RMB6,857,000 will expire in 2013, 2015, 2016 and 2017, respectively.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by certain PRC subsidiaries of the Group from 1 January 2008 onwards. As at 31 December 2012, deferred tax liability has been provided in respect of RMB85,733,000 (2011: RMB198,155,000) 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 jointly controlled entities in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2012, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, jointly controlled entity and associate in respect of which deferred tax liability has not been provided for were approximately RMB2,899,724,000 (2011: RMB2,553,352,000), RMB12,176,000 (2011: RMB5,456,000) and RMB6,709,000 (2011: RMB4,012,000) respectively.

35. LONG TERM RECEIVABLES

	2012 RMB'000	2011 RMB'000
Receivables from		
瑞昌市人民政府 (the "Ruichang City Government") *(note a)*	**6,565**	7,268
武漢市新洲區人民政府 (the "Wuhan City Government") *(note b)*	**28,380**	20,380
彭州市人民政府 (the "Pengzhou City Government") *(note c)*	**26,242**	30,182
Yangzhou No. 2 Power Plant Company Limited (the "Yangzhou No. 2 Power Plant") *(note d)*	**14,241**	16,495
	75,428	74,325
Less: Amounts due within one year	**(16,011)**	(14,942)
Amounts due after one year	**59,417**	59,383

35. LONG TERM RECEIVABLES (continued)

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 of approximately 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 that 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%. During the current year, imputed interest income of approximately RMB264,000 (2011: RMB386,000) has been recognised in profit or loss.

The above advances are unsecured, non-interest bearing and repayable through the refund of certain taxes to be payable to the 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, RMB967,000 (2011: RMB1,598,000) has been repaid through offsetting the dividend payable and the outstanding balance as at 31 December 2012 is approximately RMB6.57 million (2011: RMB7.27 million). In the opinion of the directors, these advances are fully recoverable by 2017.

Upon the 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 aforesaid advances to the Ruichang City Government which cannot be recovered by Jiangxi Ya Dong in accordance with the expected time as per above. As at 31 December 2012, the indemnity undertaken by Asia Cement is approximately RMB6.57 million (2011: RMB7.27 million).

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 year ended 31 December 2011, the first instalment of RMB2 million was settled by the Wuhan City Government. The second instalment of RMB2 million was subsequently received in January 2013.*

(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. As at 31 December 2012, the outstanding balance is approximately RMB14.4 million (2011: RMB14.4 million). The advance is unsecured, non-interest bearing and repayable through refund of 50% of certain taxes to be paid to the Wuhan City Government since the commencement of Hubei Yadong's cement production in 2009 or by cash based on the contractual agreement. During the year ended 31 December 2011, RMB5 million was settled by the Wuhan City Government and another RMB6 million was subsequently received in January 2013. The directors consider that the advance will be fully recoverable by 2015.*

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 2012, the indemnity in respect of the above advances undertaken by Asia Cement is approximately RMB13.5 million (2011: 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-interest bearing and repayable in four equal annual instalments commencing 31 December 2012 based on the contractual agreement. The first instalment of RMB2 million was subsequently received in January 2013.*

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35. LONG TERM RECEIVABLES (continued)

Notes: (continued)

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-interest 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 agreed to advance additional non-interest bearing funds of RMB25 million to the Pengzhou City Government and it has not been made as at 31 December 2012. Up to the date of this report, RMB10 million was subsequently advanced to the Pengzhou City Government and the remaining RMB15 million is awaiting for certain documents from the Pengzhou City Government. Once the additional advance is made, balance due from the Pengzhou City Government in relation to facilitate the transfer of a piece of land to Sichuan Yadong will be increased to RMB45 million. 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 years ended 31 December 2013, 2014, 2015 and 2016 respectively.

(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. As at 31 December 2012, the outstanding balance is approximately RMB6.24 million (2011: RMB10.18 million). During the year ended 31 December 2012, RMB3.94 million repayment in form of cash was received.*

The balance is unsecured and non-interest bearing. Pursuant to the 2012 Contractual Payment Plan, RMB5 million will be repaid before 30 April 2013 and the remaining will be repaid before 30 April 2014.

d. *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, has entered into an agreement with a port lessor (an independent third party) namely Yangzhou No. 2 Power Plant, pursuant to which Yangzhou Yadong paid RMB20 million to facilitate the construction of an extended port during the year 2010. The advance is unsecured and non-interest bearing. 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, RMB2.254 million (2011: RMB2.309 million) has been repaid through offsetting the rental expenses and the outstanding balance of the advances as at 31 December 2012 is RMB14.2 million (2011: RMB16.5 million).

36. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
At 1 January 2011, 31 December 2011 and 1 January 2012	–
Provision for the year	6,000
At 31 December 2012	**6,000**

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 environmental 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.

37. 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 2011, 31 December 2011, 1 January 2012 and 31 December 2012	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	1,556,250,000	155,625	139,549

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38. OPERATING LEASES

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid/payable under operating leases during the year	**19,513**	12,677
Contingent rents paid/payable under operating leases during the year *(note)*	**7,158**	7,493
	26,671	20,170

Note:

Contingent rents are charged based on the Group's actual usage of the port and trucks during the 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:

	2012 RMB'000	2011 RMB'000
Within one year	**17,477**	12,710
In the second to fifth years inclusive	**49,020**	46,145
After five years	**123,840**	124,099
	190,337	182,954

Operating lease payments represent rental paid/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.

The Group as lessor

Rental income earned was RMB714,000 and RMB655,000 for the years ended 31 December 2012 and 2011, respectively. The Group leases its motor vehicles under operating lease arrangements with no fixed lease terms.

39. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**431,991**	23,315
Land use rights	**4,322**	24,003
	436,313	47,318

40. 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.

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 2012 and 2011, 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 31.12.2011 and 31.12.2012
Directors	17 April 2008	HK$4.2075	17.4.2009–16.4.2014	17.4.2009	2,013,000
			17.4.2010–16.4.2014	17.4.2010	2,013,000
			17.4.2011–16.4.2014	17.4.2011	2,074,000
					6,100,000
Employees under continuous employment contract	17 April 2008	HK$4.2075	17.4.2010–16.4.2014	17.4.2010	1,643,400
			17.4.2011–16.4.2014	17.4.2011	1,643,400
			17.4.2012–16.4.2014	17.4.2012	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 2012 and 2011.

The Group recognised the total expense of approximately RMB381,000 (2011: approximately RMB1,663,000) 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.

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40. SHARE BASED PAYMENT TRANSACTIONS (continued)

(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 2012 and 2011, no options have been granted under the Share Option Scheme.

41. 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 the consolidated statement of comprehensive income of approximately RMB21,984,000 (2011: RMB16,533,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2012, contributions of approximately RMB737,000 (2011: RMB1,480,000) as at 31 December 2012 have not been paid over to the schemes.

42. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and in notes 28 and 29, the Group had also entered into the following significant transactions with related parties during the year.

	2012 **RMB'000**	2011 RMB'000
Jointly controlled entities:		
Chengdu Yaxin *(note)*		
– Purchase of goods	**–**	544
Wuhan Asia		
– Transportation expenses	**78,123**	31,602
Associate:		
Hubei Zhongjian		
– Sales of goods	**12,794**	16,302

Note:

In April 2011, the Group disposed of its entire 49% equity interest in Chengdu Yaxin to an independent third party venturer, for a net proceed of RMB23,916,000. The carrying amount of Chengdu Yaxin was RMB23,885,000 at the date of disposal. The transaction resulted in a gain on disposal of approximately RMB31,000.

42. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and chief executive was as follows:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	7,396	7,033
Share-based payments	–	395
Retirement benefits scheme contributions	–	–
	7,396	7,428

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

43. GOVERNMENT GRANTS

	2012 RMB'000	2011 RMB'000
Incentive subsidies *(note a)*	23,171	52,543
Value-added tax refund *(note b)*	49,973	20,143
Others *(note c)*	86	163
	73,230	72,849

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 the 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.*

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44. SUBSIDIARIES

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2012	2011	Principal activities
Perfect Industrial Holdings Pte., Ltd.	22 May 1997	British Virgin Islands	US$7,689,965	**100%**	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	4 May 1994	Republic of Singapore ("Singapore")	US$497,262,651	**99.99%**	99.99%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	1 April 1995	Singapore	US$237,846,900	**99.99%**	99.99%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd. [2]	29 November 1995	PRC	US$15,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. [1]	9 October 1997	PRC	US$296,104,433	**94.99%**	94.99%	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]	29 November 1999	PRC	US$36,140,000	**99.99%**	99.99%	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]	30 May 2000	PRC	RMB12,500,000	**97.39%**	97.39%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd. [1]	22 January 2003	PRC	RMB21,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd. [2]	24 July 2003	PRC	US$80,407,000	**99.99%**	99.99%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd. [1]	9 December 2003	PRC	RMB60,000,000	**94.99%**	94.99%	Manufacture and sale of concrete
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd. [1]	18 January 2004	PRC	RMB90,000,000	**72.49%**	72.49%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

44. SUBSIDIARIES (continued)

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2012	2011	Principal activities
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd. [2]	23 June 2005	PRC	US$154,800,000	**99.99%**	99.99%	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]	29 November 2004	PRC	US$143,340,000	**99.99%**	99.99%	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]	10 December 2004	PRC	US$4,100,000	**99.99%**	99.99%	Manufacture and sale of cement 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]	17 August 2006	PRC	US$66,170,000	**99.99%**	99.99%	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]	23 October 2006	PRC	RMB13,000,000	**99.99%**	99.99%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd. [2]	18 May 2006	PRC	US$3,500,000	**99.99%**	99.99%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd. [2]	31 July 2006	PRC	US$35,530,000	**99.99%**	99.99%	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]	17 November 2005	PRC	US$3,300,000	**99.99%**	99.99%	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]	28 December 2010	PRC	RMB60,000,000	**99.99%**	99.99%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd. [3]	19 August 2003	PRC	RMB90,000,000	**69.99%**	69.99%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

44. SUBSIDIARIES (continued)

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.*

45. MAJOR NON-CASH TRANSACTIONS

During the year, long-term receivable of RMB967,000 (2011: RMB1,598,000) and RMB2,254,000 (2011: RMB2,309,000) due from the Ruichang City Government and Yangzhou No. 2 Power Plant were offsetting through the dividends payable by Jiangxi Ya Dong and the rental expenses payable by Yangzhou Yadong, respectively.

46. 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:

	2012 **RMB'000**	2011 RMB'000
Unlisted investments in subsidiaries	**5,767,774**	5,624,187
Amounts due from subsidiaries	**2,971,854**	3,326,938
Bank balances	**241,118**	207,526
Held-for-trading investments	**55,143**	–
Held-to-maturity investments	**126,225**	–
Other receivables	**1,691**	6
Total assets	**9,163,805**	9,158,657
Borrowings	**3,709,894**	3,677,830
Derivative liabilities	**10,539**	7,772
Other payables	**14,437**	13,613
Total liabilities	**3,734,870**	3,699,215
Net assets	**5,428,935**	5,459,442
Share capital *(note 37)*	**139,549**	139,549
Reserves *(note)*	**5,289,386**	5,319,893
Total equity	**5,428,935**	5,459,442

46. 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	Accumulated profits (losses) RMB'000	Total RMB'000
At January 1, 2011	3,376,570	2,073,316	20,471	–	97,709	5,568,066
Loss for the year	–	–	–	–	(86,439)	(86,439)
Other comprehensive expense for the year	–	–	–	(7,772)	–	(7,772)
Total comprehensive expense for the year	–	–	–	(7,772)	(86,439)	(94,211)
Recognition of equity-settled share-based payments	–	–	1,663	–	–	1,663
Dividends recognised as distribution *(note 15)*	–	–	–	–	(155,625)	(155,625)
At 31 December 2011	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**

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Revenue	3,248,152	4,207,408	5,707,320	8,206,833	**6,684,149**
Profit before tax	467,007	696,290	643,285	1,742,141	**508,927**
Income tax expense	(28,606)	(81,004)	(115,555)	(352,746)	**(102,321)**
Profit for the year	438,401	615,286	527,730	1,389,395	**406,606**
Attributable to:					
Owners of the Company	410,717	609,966	510,873	1,340,836	**395,123**
Non-controlling interests	27,684	5,320	16,857	48,559	**11,483**
	438,401	615,286	527,730	1,389,395	**406,606**

ASSETS AND LIABILITIES

	At 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Total assets	10,950,060	12,659,536	14,499,900	16,122,366	**15,648,964**
Total liabilities	4,359,046	5,592,445	7,010,111	7,398,733	**6,765,284**
	6,591,014	7,067,091	7,489,789	8,723,633	**8,883,680**
Equity attributable to:					
Owners of the Company	6,471,621	6,934,158	7,293,933	8,473,035	**8,601,209**
Non-controlling interests	119,393	132,933	195,856	250,598	**282,471**
	6,591,014	7,067,091	7,489,789	8,723,633	**8,883,680**