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

ANNUAL REPORT 2014




CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HSU, Shu-ping *(Vice Chairman)*
Mr. CHANG, Tsai-hsiung
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. 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. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

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FINANCIAL HIGHLIGHTS

	Notes	2014 RMB'000	2013 RMB'000	% Change Increase (Decrease)
Revenue		**8,193,716**	7,330,818	12
Gross profit		**1,911,395**	1,616,651	18
Profit for the year		**812,980**	846,304	(4)
Profit attributable to owners of the Company		**790,313**	823,010	(4)
Gross profit margin		**23%**	22%	5
Net profit margin	*1*	**10%**	12%	(17)
Earning per share				
— Basic		**RMB0.507**	RMB0.529	(4)
— Diluted		**RMB0.506**	RMB0.529	(4)
Total assets		**20,022,989**	17,361,715	12
Net assets		**10,105,134**	9,477,823	7
Liquidity and Gearing				
Current ratio	*2*	**1.13**	1.36	
Quick ratio	*3*	**0.97**	1.20	
Gearing ratio	*4*	**0.50**	0.45	

Notes:

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

CHAIRMAN'S STATEMENT

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 2014.

HSU, Shu-tong *Chairman*

CHAIRMAN'S STATEMENT

Throughout the history of industrial development, every scientific advance and technological innovation will first be made in the manufacturing sector, thereby facilitating change and innovation of production mode. In recent years, with the application of online information technology, big data and cloud computing, an even greater instrument – internet technology – is being incorporated in the production process. The integration of information and industrialization will facilitate the arrival of Industry 4.0 (the fourth industrial revolution).

The cement industry in China has undergone three stages of development – lagging behind, catching up, and surpassing and leading – before it gradually developed into one with enormous room for development. The implementation of new dry process, environmental protection, energy saving and emission reduction, safety and sustainability measures in the cement industry all started from an idea, before they took shape to form a mandatory path for outstanding and mature cement enterprises; and those who stand at the forefront take the first-mover's advantage. China's cement industry has made remarkable achievements in a number of areas such as cost reduction, efficiency enhancement and technological innovation. However, it remains relatively backward in intelligent control. At the forefront of the industry, the Group has a visionary understanding of the importance and necessity of informationisation and automation. The Company's centralised management and operating strategy enhances the overall planning and unified design of information system, thereby improving its master management platform and competitive edge in coordination and operation management. The construction and execution of paperless office and information network, which is a part of the Company's development strategy and objectives, will provide better and more comprehensive support for the Group's highly efficient operation. Since 2003, the Group has started using the SAP system, and made constant improvement and upgrade of the relative functions of the SAP system, as well as fine-tuned SAP-supported systems. This not only provides detailed and accurate data to support the prevalent "big data management", but also enables the Group to carry out sophisticated management of production, transportation and sales. From raw materials to finished products, timely and accurate management and control of the entire process can be executed to ensure that production is carried out in a stable and accurate manner. Furthermore, uniformity and standardisation of performance appraisal management system for capital, asset lifecycle, human resources, investment, audit information and quality management can be achieved. The integration of the SAP system and other related systems has been realized to optimise the operation management platform.

With the extensive application of informationisation and mature data transmission technology, the era of mass production, data sharing and application is approaching. Mergers, acquisitions and industry consolidation after a high-speed development period have resulted in a relatively high industry concentration level of the cement sector. Each of the large cement enterprises, which belong to the traditional manufacturing sector, can generate a relatively huge database during the management of the entire group, and this data can be further analysed and used as guidance and instrument for management. Large-scale cement groups compete in various aspects and market segments. As such, information flow distribution and data mining ability will be the key to win the next round of competition.

In 2014, the global economic environment was complex and volatile, while the Chinese economy saw slowdown in investment growth, tightened credit conditions, and difficult operating environment for companies. The macro economy was under relatively great downward pressure. Cement enterprises, as part of the traditional manufacturing sector, faced with issues such as regional dominance, market coordination, merger, acquisition and consolidation, environment protection and energy saving, as well as urban waste reduction. However, with the deepening of economic reforms, the economic environment will shift towards a higher level of market-orientation and transparency. A cement company with presence in a region or all over the country will find that its management quality and profitability will put its management team's ability to the test. In this era, as Marcia Conner said, we need to keep taking in new information and building up experience, and ultimately internalize them to augment our abilities; we can then keep up with the pace of change in the world and beat competition. Committed to long-term development, the Group will monitor and analyse trends, adjust its views, keep abreast of latest development, and maintain its leading position in production technology, environment protection and energy saving, and informationisation development. In future, while maintaining its existing competitive edge, the Group will be more proactive in its pursuit of becoming an industry leader, instead of a follower through taking swift actions. With an aim to improve efficiency, the Group will increase its market competitiveness and influence, thereby creating a brighter future for shareholders.

Vice Chairman's Statement

China's economic system is currently evolving into a more advanced stage, with a more complex division of labour and a more reasonable structure. The economy is now growing at a moderate to high speed, fuelled by new growth drivers. While the methods of promoting economic development are constantly changing, massive adjustment has been made to the economic structure. A new normal of China's economy has emerged as it enters a medium to high speed development stage with emphasis on high efficiency, low cost and sustainability.

China's economic development remained stable in 2014, with a 7.4% GDP growth rate. In the first half of the year, cement price benefited from the high price level at the end of 2013, while costs remained low. These had resulted in satisfactory earnings for the industry. However, entering into the second half of the year, as the impact of sluggish demand further multiplied, cement price dropped on a monthly basis since May and did not rebound afterwards. The industry's earnings growth was greatly slowed down. The cement industry's sales revenue for the full year amounted to RMB979.211 billion, representing an increase of 0.92% as compared to 2013. The industry recognised a profit of RMB78 billion, an increase of 1.4 per cent year-on-year, with a profit margin of 7.97%. Nevertheless, industrial efficiency of the cement sector for 2014 surpassed that of 2013. According to the National Bureau of Statistics, total national cement output for 2014 amounted to 2.47 billion tonnes, representing a year-on-year increase of 1.8%. The growth rate dropped 7.8 percentage points as compared to 2013 and was a record low since 1990. Since September 2014, the monthly cement output continued to decrease for four consecutive months – such situation occurred for the first time since 2005. New capacity restriction and efficiency enhancement were the main development trend of the industry for the year.

HSU, Shu-ping *Vice Chairman*

VICE CHAIRMAN'S STATEMENT

In 2014 the global economic recovery was complicated and slow under a complex political-economic environment. The growth in Mainland China slowed down, as the economy was under enormous downward pressure. Facing a harsh and uncertain economic environment, the Group focused on reform and innovation to enhance corporate competitiveness. With the aim of value creation and increasing asset value, the Group seized opportunities from the market cycle, explored internal potential, further strengthened and refined management of its fundamentals to strictly exercise cost control, enhanced competitiveness through increasing revenue, controlling expenses and improving cost-efficiency, to create better conditions for realising the Group's efficiency and development objectives. Indeed, against the backdrop that cement price failed to reach the expected level and continued to drop, effective cost control and saving had been a major contributor to the Group's increased gross profit margin and net profit margin.

With China's economy entering a new normal, growth in cement demand showed signs of slowdown, while cement price "softened during peak season", a situation contrast with past experience, which led to greater variations in economic benefits among different regional markets. Moreover, with new policies on restricted production and off-peak season production to achieve energy saving and emission reduction, high growth rate in output was no longer the mainstream development trend of the cement industry. On the other hand, the acceleration of eliminating obsolete production facilities and lifting of the industry's overall competitiveness have become the major task of the industry under the new normal.

The inauguration of Jiangxi Yadong No. 6 kiln at the beginning of 2014 and the acquisition of Sichuan Lanfeng Cement Co., Ltd in April together lifted the Group's total cement production capacity to approximately 35 million tonnes per annum, placing the Group in the 12th place in the national clinker capacity ranking. Asia Cement Corporation, the controlling shareholder of the Group, became the second largest shareholder of China Shanshui Cement Group Ltd. after increasing its shareholding in China Shanshui Cement Group Ltd. from 13.42% to 20.90%. In other words, the Asia Cement Group has been carrying out initiatives in both Mainland China and Taiwan to complement businesses on both sides of the strait. Through approaches such as building its own plants, merger, acquisition, and capital injection, the Asia Cement Group further increases its influence in the cement industry. On 6 May 2014, seven government departments namely National Development and Reform Commission, Ministry of Science and Technology, Ministry of Industry and Information Technology, Ministry of Finance, Ministry of Environmental Protection, Ministry of Housing and Urban-Rural Development, and National Energy Administration jointly issued "Opinions on promoting resources integration during production process to handle urban and industrial waste" (《關於促進生產過程協同資源化處理城市及廢業廢棄物工作的意見》), enlisting cement industry as a key industry to push ahead with the plan for using existing cement kilns to facilitate the treatment of hazardous waste such as sludge from sewage treatment plants and ash from waste incineration. The various favourable policies will provide opportunities for the Group to construct Hubei Yadong No. 3 production line and pilot urban waste treatment facilities on this production line.

The new normal has sparked a new round of competition, which bring along both new challenges and opportunities. The Group should proactively adapt to meet new demands from this new normal, examine and determine the characteristics of the new normal, identify and seize the proper opportunities. It should align its work and practice with the State's policies and turn them to its advantage for development. The Group will continue to identify suitable opportunities for merger and acquisition. It will seek suitable targets for acquisition and strategic cooperation through various methods including acquisition of equity interests in small to medium-sized quality cement enterprises in order to further expand and strengthen existing operations. Meanwhile, the Group will also make positive exchanges with large cement companies, observing and learning from each other to identify an operation management model more suitable for Mainland China, thereby generating greater earnings for the Group. After the completion of the silo in Taizhou, the Group will actively extend its sales network in overseas markets by establishing new overseas offices. During the low season where there is insufficient domestic demand, the Group can take advantage of the convenient transportation on the Yangtze River to export excess output to overseas markets. This can help ease inventory pressure, as well as enable the Group to utilise its capacity and achieve profitability. To achieve energy saving and environmental protection, the Group makes full use of slag, fly-ash, desulphurization gypsum and other by-products or waste from steel mills and power plants to lower production cost and to facilitate circular economy through energy saving and waste reduction. Following the cement market trend, the Group further extends its industry chain, by developing concrete and related products business, and actively seeking cooperation opportunities with State-run construction companies to ensure downstream distribution channels, with an initial target of supplying 10% of cement. The abovementioned measures are expected to drive and create opportunities for the Group's development.

CEO's Review

During 2014, the Group sustained continued healthy growth. The effective capacity utilization of No. 5 and No. 6 kilns of Jiangxi Yadong after their inauguration and the acquisition of Sichuan Lanfeng in April had lifted the Group's annual cement production capacity by 8 million tonnes to 35 million tonnes. The Group was thus one step closer to realising its development goal of becoming "bigger and stronger". As a result of adherence to its policy of full disposal of all output, the Group's sales volume of cement, clinker and slag powder nearly hit 30 million tonnes, reaching 29,979,000 tonnes, representing a 12% increase from that of the previous year.

WU, Chung-lih *Chief Executive Officer*

CEO'S REVIEW

During the year under review, the government strictly controlled increase of new capacity, and accelerated the elimination of obsolete facilities, thereby improving the balance in supply and demand. However, there was a shrinkage in investment growth due to China's gloomy macroeconomic environment and lack of capital in the real estate and infrastructure sectors. This together with high temperature and heavy rainfall caused the price to drop. The price of cement decreased by RMB7 per tonne from that of the previous year to RMB246 (excluding tax) per tonne. Unit cost of coal consumption decreased from RMB644 of last year to RMB593 (excluding tax). As a result, the Group's revenue for the year amounted to RMB8,193.7 million, with a gross profit of RMB1,911.4 million, representing year-on-year increases of 12% and 18% respectively. Gross profit margin grew by 1 percentage point to 23%, while net profit margin slid by 2 percentage point to 10%. Profit for the year attributable to owners of the Company and earnings per share amounted to RMB790.3 million and RMB0.507 respectively, each representing a decrease of 4% from that of last year.

In 2014, cement demand reported a slow growth of 3%-4%, while the price of cement continued to drop from a higher level since the beginning of the year. The national price of cement in December decreased by RMB48 per tonne year-on-year to RMB332 per tonne, which was the lowest price since 2008. Although the national cement market showed an overall increase in earnings, there were substantial variations among different regions. Statistics indicated that the cement industry in at least three provinces suffered loss. Cement prices in key regions where the Group has presence were lower than those of the previous year, which affected the Group's profitability. Nonetheless, the punishing market situation presented both severe challenges to the operation of cement enterprises, as well as opportunities for accelerating development. During the year under review, the Group focused on both strengthening management and accelerating expansion. Through strengthening internal management and geographical expansion, the Group achieved stable development and an overall satisfactory performance.

I. ENHANCE INTERNAL MANAGEMENT, STRENGTHEN HEADQUARTERS' FUNCTIONS, AND IMPROVE QUALITY OF OPERATIONS MANAGEMENT

In an age where there can be cooperation among competitors, cement enterprises' geographical advantage and competitive edge in equipment and production technique is becoming less significant. Sophisticated management and low-cost operation will be the key to improving the Group's core competitiveness. Leveraging its sound existing foundation, the Group improves, strengthens and revolutionises administration through the following means:

1. Strengthen the promotion of headquarters' administration platform

Asia Cement (China) Operations Headquarters has been set up to respond to the ever changing environment, in the global, overseas and domestic markets, to increase the Group's overall competiveness. Relevant organisational structure has been established, with adjustment in human resources. Furthermore, centralised operation management measures of headquarters were revised and announced, in order to gradually improve the management platform of business, finance, production and administration, etc. The authority and responsibilities of principal companies in different regions and those of operational headquarters have been clearly defined, to avoid conflicts and ambiguity that may have caused by the organizational structure characteristics.

A centralised material integration platform task group has been formed to conduct a comprehensive review of the storage and management approach for spare parts that has been in use for years. Designated staff have been assigned to set new standards for entering description of different spare parts, standardise verification of item codes, clearly define the features of parts, and specify quantity and storage venues for dispatch coordination. With a designated code for each item, detailed documentation of material with item code, uniformity in item code and data retrieval in Chinese, the spare parts can be located easily, thereby reducing the quantity and cost of spare parts.

2. **Setting up standard operating procedures**

The Group optimised the dispatch system and established seamless connection with SAP, to be integrated with standard operating procedures ("SOP") for production, product dispatch and credit control. Improvement had been made in the manufacturing plant's production system/ product dispatch system, thereby reducing manual operation, integrating the process of production, transportation and distribution, and allowing prompt access to credit limit of customers, in order to prevent wrong, excess or inadequate delivery.

The Group improved and integrated the management system of Notes (including production, material and works, etc.) with SAP. The Group gradually introduced to its vertically integrated cements plants and subsidiaries in southeastern region the daily reporting procedure for production progress, and request for purchase, delivery inspection, payment and collecting process of raw materials. These measures are aimed to achieve paperless and uniform process, as well as to facilitate the convenience in enquiry and tracking management.

3. **Realising standardisation in regulatory system**

In order to achieve a standardised and organised regulatory system, the Group required its subsidiaries to promulgate, through circulars or notices, the relevant regulatory measures or code of practice, and to have specialised management of filing system for easy storage, filing and searching. In January 2014, the Group began to formulate "Administrative Measures for Regulatory System", by standardising the relevant format and procedures, and assigning the information department to develop a management platform for the regulatory system. In future, the headquarters will be responsible for setting up common regulations for all the subsidiaries. The rules will then be filed systematically to facilitate searching and retrieval.

4. **Talent training, grooming and retaining**

In order to fully utilize headquarters' resources and to satisfy the Group's demand for orientation training of over 400 new employees on average every year, the Group has arranged four terms of new employees off-the-job collective training. This programme will help new employees to learn more about the Group, to identify themselves with the Company and to understand their work. Renowned instructors are engaged to give lectures, complemented by group activities to enhance the bonding between staff of different subsidiaries. After training, the employees will return to their respective companies for assignment.

The piece-rate pay structure for drivers of transportation companies/manufacturing plants has been improved. To make it fairer and more reasonable, the Group has taken into account the drivers' consideration and practical management requirements, to reach a consensus after consultation with its subsidiaries on salary, performance appraisal, number of work days, bonus and other benefits. In addition to meeting social development trend and driving the incentive of workers under the piece-rate pay structure, the aforesaid improvement can also enhance their expectations for and security of their jobs.

5. **Regular and irregular industrial safety inspection to prevent any safety loopholes**

In order to eliminate the possibility of industrial accidents, the Group strives to close loopholes and eradicate flaws in its industrial safety system by strictly implementing various safety measures during work process. Its subsidiaries carry out thorough examination or random inspection, on a regular or irregular basis, on factories, workshops, mines, piers, electrical rooms, cable trenches, warehouses, raw material storage rooms, oil depots, different types of compressed gas/liquid, living quarters, offices/public areas, production equipment and transportation vehicles. The Group puts further emphasis on industrial safety training and education, with a focus on comprehensive inspection, designation of the person-in-charge and raising safety awareness, to achieve zero accident and casualty.

II. GEOGRAPHICAL EXPANSION VIA ACQUISITION OF SICHUAN LANFENG

Disorderly market competition is inevitable in a cement industry haunted by severe overcapacity. As such, new capacity control, inventory optimisation, merger, acquisition and restructuring, as well as higher industry concentration are therefore unavoidable. Under the guidance of multiple policies, industry consolidation has, after years of exploration and experience, gradually switched from government-led at the early stage of the reshuffle to market oriented. Mergers and acquisitions occur more and more often. The Group should not irrationally follow trend nor hesitate to grab available opportunities. The Group has taken into account the prevailing situation, geographical coverage and market factors before prudently selecting an acquisition target that can complement its existing operations and generate synergetic effect.

The Group's Sichuan Yadong Cement Co., Ltd. and Sichuan Lanfeng Cement Co., Ltd. began bilateral talks in February 2014. Within two months, the two companies entered into an equity transfer agreement. The consideration for the equity transfer was determined at RMB968 million. On 1 May, staff of Sichuan Yadong Cement Co., Ltd. officially moved into Sichuan Lanfeng Cement Co., Ltd. The handover was completed on 21 May, and the handover agreement was entered into on 20 June. On 22 July, the Ministry of Commerce of the People's Republic of China Anti-trust Bureau approved Sichuan Yadong Cement Co., Ltd.'s acquisition of Sichuan Lanfeng Cement Co., Ltd. On 30 July, an official announcement regarding the acquisition was published on The Stock Exchange of Hong Kong Limited. The whole process was completed smoothly. After the acquisition, Sichuan Yadong Cement Co., Ltd. and Sichuan Lanfeng Cement Co., Ltd. integrated their activities of mines, production, management, technology, markets, equipment, manpower, to create synergetic benefits. The integration enhanced the Group's key production resources allocation and coordinated application of resources, thereby creating advantages in resources, size, technology, manpower and market, as well as improving the Group's core competitiveness. The Group has, thus, become the largest market player in Chengdu, with a market share of 32% and greater market influence. Furthermore, since Chengdu is the foremost second-tier city, with high political and economic potential and a relatively closed market, the Group enjoys a relatively secured market dominance. In response to market risks and sustainable development, the Group has the economic advantages with market dominance, strong penetration power and high economic values. In the short run, the Group can achieve an annual increase in cement sales volume of 3.5 million tonnes without any big overhauls or investment. In 2014, the overall investment income in the eight months after the aforesaid acquisition was RMB84,500,000.

In 2014, the Group increase its overall core competitiveness through reforms, innovation, quality and efficiency improvement, cost and expenditure reduction, authority and responsibilities delineation, scientific assignment of responsibility, corporate structure optimisation. The Group has an effective organisation of structure, and proactive and rational grooming of an energetic, creative young leadership talent pool. The major task of the management is to enable the Group to leverage its well-established foundation to gain a firm foothold under the prevailing market trend, thereby broadening its development prospects. The management and members of the Company are dedicated to realise the Group's objective to become one of the top 10 cement companies. In future, the Group will properly interpret market conditions to seize opportunities and overcome difficulties, and will tackle market challenges to maintain its development. During the new round of industry reshuffle, the Group will uphold development initiative to realize its ultimate goal to become bigger and stronger.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

Taking into account the overall situation and capitalising on the macro trend, the Chinese government maintained a prudent macro-economic policy and flexible micro-economic measures in 2014 to strike a proper balance between stable growth and structural adjustment. As such, the national economy continued to achieve steady and quality growth. The GDP growth rate for 2014 was 7.4%, representing a slight decline of 0.1 percentage point as compared to the previous year, while the growth rate of fixed assets investment in China reached 15.7%, a drop of 3.9 percentage points year-on-year. The national property development investment increased by 11.8%, which was 8 percentage points lower than that of the previous year.

In 2014, the government put more emphasis on adjusting the economic structure. The property market gradually shifted from high-speed growth to stable growth. All this had tremendous impact on the cement industry. The national cement output was 2.47 billion tonnes, representing a slight year-on-year increase of 1.8%. The growth rate, which dropped 7.8 percentage points from that of 2013, hit a record low in 24 years. In particular, output decreased for four consecutive months from September to December. This was aggravated by a slowdown in growth of demand, leading to an intensified market competition. Cement price dropped from a higher level since the beginning of the year and hit its bottom in August. Although a rebound was witnessed in September, recovery was weaker than last year. Nonetheless, the industry was moving in a more healthy direction. The government continued to restructure the cement industry through stringent control of new facilities development and acceleration of obsolete capacity elimination. Investment in the cement industry across the country continued to decline (2014: RMB99.8 billion, representing a year-on-year decrease of 16%). Mergers and acquisitions by large enterprises had been increasing, leading to higher industry concentration. Furthermore, as fuel price stayed low, cement enterprises were able to better exercise production cost control. The overall industry earnings for 2014 remained satisfactory.

The Group faced not only a complex domestic and international political-economic landscape, but also a volatile operating environment in 2014. To cope with these challenges, the Group had proactively taken various measures, and thus achieved remarkable results. First, following the inauguration of Jiangxi Yadong No. 6 kiln (with a daily clinker capacity of 6,000 tonnes) in January, the Group acquired the entire equity interest in Sichuan Lanfeng Cement Co., Ltd. (with an annual cement capacity of 5 million tonnes) in April. As a result of the aforesaid initiatives, the Group became the largest cement producer in Chengdu in terms of market share, with an aggregate annual production capacity of 35 million tonnes. Second, the Group adopted proactive and flexible measures to cope with market competitions, by making timely adjustment to its sales strategies in accordance with market changes, creating market niches, developing new markets with higher profitability, expanding the sales volume of high grade and bulk cement, and strengthening end-user management. All these were aimed to further increase the Group's market share in its core markets. Third, the Group capitalised on the seasonal factors of the market to strengthen its production management by arranging repair and maintenance of various kilns the Chinese New Year holiday and the low seasons in July and

August. As a result, the operation efficiency of each plant enhanced significantly. Fourth, the Group maintained its high environmental standards and upheld its belief in "industrial development and environmental protection can go hand-in-hand". Its efforts in dust collection, waste utilisation, sewage treatment, mine reclamation, energy-saving and emission reduction (denitration and denitrification) showed remarkable results and gained recognition from the government and specialized organisations. Fifth, the Group continued to adhere to its sophisticated management, implemented centralised management as the administration platform, standardised regulation of subsidiaries' operations, and formulated up-to-date administrative measures. Dedication of managers of all levels and other members of the Group, together with quality products and comprehensive sales network, had enabled the Group to achieve a 12% year-on-year increase in the aggregate sales of cement, clinker and slag powder to 29.98 million tonnes for the year. Although production cost dropped by 2.6%, cement price decreased year-on-year, leading to a less than satisfactory overall profitability of the Group.

Table 1: Total sales volume (Unit: '000 tonnes)

Item	2014	2013	% Change
Cement	28,302	25,726	10
Clinker	1,276	395	223
Blast-furnace slag powder	401	611	(34)
Total	29,979	26,732	12

Table 2: Breakdown of sales volume of cement by region (Unit: '000 tonnes)

Item	2014	2013	% Change
Southeastern region	10,835	9,759	11
Central region	7,898	7,722	2
Southwestern region	6,929	5,279	31
Eastern region	2,640	2,966	(11)
Total	28,302	25,726	10

Table 3: Sales volume of high grade and low grade cement (Unit: '000 tonnes)

	2014		2013	
Item	Sales volume	Percentage (%)	Sales volume	Percentage (%)
High grade cement	21,865	77	19,874	77
Low grade cement	6,437	23	5,852	23
Total	28,302	100	25,726	100

Table 4: Sales volume of bagged and bulk cement (Unit: '000 tonnes)

	2014		2013	
Item	Sales volume	Percentage (%)	Sales volume	Percentage (%)
Bulk cement	21,818	77	19,600	76
Bagged cement	6,484	23	6,126	24
Total	28,302	100	25,726	100

(1) Central and downstream regions of Yangtze River

The Group's capacity in this region was 24 million tonnes. Jiangxi Yadong, Huanggang Yadong, Hubei Yadong, Wuhan Yadong and Yangzhou Yadong under the Group were all built by the riverside and could take advantage of the river to expand to other metropolitan cities like Wuhan, Jiujiang, Nanchang, Yangzhou and Shanghai. With good quality and service, the Skyscraper brand cement was chosen to be widely used in major key construction projects, grinding mills and pile plants. During the first half of 2014, market supply pressure was comparatively lower than previous year due to reduced supply of new capacity in the region. This coupled with a more stable competition-cooperation relationship among industry players had resulted in a favourable performance in terms of both quantity and price. However, starting from the third quarter, affected by the negative impact of the gloomy property market, cement demand growth rate hit a record low in recent 10 years. Furthermore, high temperature and rainy weather caused cement price to drop and reach its bottom in mid-August. Since September, except for a short span of time during which prices in different regions rebounded, prices continued to fall in the next few months and dropped by as much as RMB50 to RMB60 per tonne year-on-year. The short-lived price rebound was triggered by a restoration of market confidence over an improved supply-demand relationship as a result of the government's determined effort to eliminate obsolete production capacity. In 2014, the Group sold a total of 22.93 million tonnes of cement, clinker and slag powder in this region, which was 7% more than 21.41 million tonnes in 2013.

(2) Chengdu region

Compared with 2013, cement demand in Sichuan Province in 2014 rose by 4.6% to approximately 140 million tonnes, which was higher than the national average growth rate but lower than the growth rate of 6.6% in 2013. After acquiring Sichuan Lanfeng (with an annual cement production capacity of 5 million tonnes) in April 2014, the Group had a total cement capacity of 11 million tonnes in Chengdu region and also enjoyed the proximity to Chengdu, which is a large consumer market. Although demand in Chengdu market was huge (about 25 million tonnes in 2014), market competition (in addition to local manufacturers) was aggravated by the supply of cement from surrounding areas as the region's topography allows easy access to the city. Nevertheless, under the auspices of the association, remarkable results were achieved in the elimination of obsolete capacity, energy saving and emission reduction, and merger and acquisition in 2014. Cement price for the full year remained at a relatively high level despite intensified competition. For 2014, the Group sold a total of 7.05 million tonnes of cement, clinker and slag powder in Southwestern region, which was 33% more than the 5.32 million tonnes of cement in 2013.

Table 5: The Group's market share by region and city (%)

Item	2014	2013
Jiujiang	35%	35%
Nanchang	26%	27%
Wuhan	27%	27%
Chengdu	28%	21%
Yangzhou	30%	32%

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 2014, the Group's revenue amounted to RMB8,193.7 million, representing an increase of RMB862.9 million or 12% from RMB7,330.8 million for 2013. The increase in revenue was mainly attributable to the increase of production capacity and sales volume after the commencement of operation of No. 5 and No. 6 new dry process rotary kilns at Jiangxi Yadong Plant and the acquisition of Sichuan Lanfeng during 2014.

	2014		2013	
Region	RMB'000	%	RMB'000	%
Southeastern region	2,907,570	36	2,639,836	36
Central region	2,330,770	28	2,261,428	31
Southwestern region	2,023,980	25	1,545,514	21
Eastern region	931,396	11	884,040	12
Total	8,193,716	100	7,330,818	100

In respect of revenue contribution for 2014, sales of cement accounted for 85% (2013: 89%) and sales of concrete accounted for 11% (2013: 8%). The table below shows the sales breakdown by product during the reporting period:

	2014		2013	
	RMB'000	%	RMB'000	%
Cement	6,983,580	85	6,506,072	89
Clinker	252,164	3	72,834	1
RMC	869,199	11	625,271	8
Blast-furnace slag powder	88,773	1	126,641	2
Total	8,193,716	100	7,330,818	100

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 2014, the Group's cost of sales increased by approximately 10% to RMB6,282.3 million from RMB5,714.2 million for 2013 due to the increase in sales volume of the Group.

The gross profit for 2014 was RMB1,911.4 million (2013: RMB1,616.7 million), with a gross profit margin of 23% (2013: 22%). The increase in gross profit was mainly attributable to (i) the increase in production capacity and sales volume; and (ii) the decrease in coal cost.

Other Income

Other income mainly comprises government grants, transportation fee income, interest income and sales of scrap materials. For 2014, other income amounted to RMB161.4 million, representing a decrease of RMB0.6 million from RMB162.0 million for 2013.

Other Gains and Losses

Other gains and losses mainly comprise net foreign exchange loss, allowance for doubtful debts and loss on disposal/write-off of property, plant and equipment. For 2014, other losses amounted to RMB43.8 million, representing a decrease of RMB157.8 million from the other gains of RMB114.0 million for 2013. The increase in losses was principally attributable to the increase in foreign exchange loss from US dollar-denominated bank borrowings and the increase in allowance for doubtful debts.

Distribution and Selling Expenses, Administrative Expenses and Finance Costs

For 2014, the distribution and selling expenses amounted to RMB415.0 million, representing an increase of RMB45.5 million or approximately 12% from RMB369.5 million for 2013. The increase in distribution costs was attributable to the increase in sales volume of cement products in 2014.

Administrative costs, including employee compensation and benefits, depreciation expenses and other general office expenses increased by approximately 30%, from RMB261.6 million to RMB339.2 million. The increase was attributable to the increase in headcount and payroll of staff and the expenses incurred for the purpose of expending operation and production capacity.

The 19% increase in finance costs was mainly due to (i) less borrowing costs capitalised during the year since the completion of two new production lines and (ii) an increase in borrowings.

Profit before Tax

As a result of the foregoing factors, the profit before tax for 2014 decreased by RMB17.9 million, or approximately 2%, to RMB1,091.1 million from RMB1,109.0 million for 2013.

Income Tax Expenses

In 2014, income tax expenses increased by RMB15.4 million, or approximately 6%, to RMB278.1 million from RMB262.7 million for 2013. The effective tax rate of the Group for 2013 and 2014 was 23.7% and 25.5% respectively.

Non-controlling Interests

In 2014, non-controlling interests amounted to RMB22.7 million, representing a decrease of RMB0.6 million, or approximately 3%, from RMB23.3 million for 2013 primarily due to the decrease in profit contribution from Wuhan Yaxin.

Profit for the Year

For 2014, the net profit of the Group amounted to RMB813.0 million, representing a decrease of RMB33.3 million or approximately 4% from RMB846.3 million for 2013.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a strong financial and liquidity position for the year ended 31 December 2014. Total assets increased by approximately 15% to RMB20,023.0 million (31 December 2013: approximately RMB17,361.7 million) while total equity grew by approximately 7% to RMB10,105.1 million (31 December 2013: approximately RMB9,477.8 million).

Restricted Bank Deposits, Bank Balances and Cash

As at 31 December 2014, the Group's restricted bank deposits, bank balances and cash amounted to approximately RMB2,368.8 million (31 December 2013: RMB1,996.6 million) of which about approximately 41% was denominated in RMB and about approximately 59% 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 decreased from RMB1,792.7 million in 2013 to RMB718.2 million in 2014. This was mainly due to the decrease in trade and other payables and increase in inventories.

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 2014, the net cash used in investment activities of the Group amounted to RMB1,245.5 million, representing a decrease of 35% from RMB1,929.1 million for 2013. The decrease in cash flow by RMB683.6 million used in investment activities was primarily attributable to less cash used for the purchase of property, plant and equipment after the completion of No. 5 and No. 6 production line of Jiangxi Yadong.

In 2014, the net cash from financing activities of the Group amounted to RMB884.3 million. This was primarily due to an increase in new borrowings in 2014.

Capital Expenditure

Capital expenditure for the year ended 31 December 2014 amounted to approximately RMB709.9 million and capital commitments as at 31 December 2014 amounted to approximately RMB752.9 million. Both the capital expenditure and capital commitments were mainly related to the purchases of plant and equipment for the new production lines. The Group anticipates that funding for those commitments will come from future operating revenue, bank borrowings and other sources of finance when appropriate.

Borrowings

The Group's borrowings as at 31 December 2014 and 2013 are summarised below:

	As at 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Short-term borrowings	4,804,222	56	3,473,494	50
Long-term borrowings	3,814,465	44	3,482,953	50
Currency denomination				
– Renminbi	875,503	10	1,671,095	24
– US dollars	7,743,184	90	5,281,479	76
– Hong Kong dollars	–	0	3,873	0
Borrowings				
– secured	–	–	–	–
– unsecured	8,618,687	100	6,956,447	100
Interest rate structure				
– fixed-rate borrowings	–	–	586,000	8
– variable-rate borrowings	8,618,687	100	6,370,447	92
Interest rate				
– fixed-rate borrowings	N/A		2.95%	
– 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 0.1%–2.6%	

As at 31 December 2014, the Group had unutilised credit facilities in the amount of RMB5,300.0 million.

As at 31 December 2014, the Group's gearing ratio was approximately 50% (31 December 2013: 45%). The calculation of the gearing ratio was based on total liabilities and total assets as at 31 December 2014 and 2013 respectively.

Pledge of Assets

The Group did not have any pledge or charge on assets as at 31 December 2014.

Contingent Liabilities

As at the date of this report and as at 31 December 2014, the Board is not aware of any material contingent liabilities.

Human Resources

As at 31 December 2014, the Group had 4,746 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" or "China") 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 2014, about 11,578,000 share options were granted under the Pre-IPO Share Option Scheme, in which 10,601,000 share options have been exercised to date. Also, as at 31 December 2014, 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

On 16 April 2014, the Company announced that the Sichuan Yadong Cement Co., Ltd, being a non wholly-owned subsidiary of the Company, entered into the Sales and Purchase Agreement with two individual sellers for acquiring 100% of the equity interest in Sichuan Lanfeng Cement Co., Ltd and Sichuan Langfeng Building Materials Co., Ltd at a total estimated consideration of RMB1.0 billion with appropriate adjustments as required. On 30 July 2014, the final total consideration of approximately RMB968 million was agreed. For details, please refer to the announcement of the Company dated 30 July 2014.

Save for the aforesaid, the Group had no other significant investment, material acquisitions or disposals during 2014.

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 Central Economic Work Conference held in December 2014 has set the tone for economic policies for 2015 – making progress while maintaining stability. It has also made it clear that China will continue to deepen reform, keep its economic growth rate within a reasonable range, adjust economic growth rate without losing its momentum, increase quantity with better quality and put more emphasis on ecological and environmental protection. 2015 is the final year of China's "12th Five-Year Plan". It is also a crucial year for fulfilling the plans, especially for meeting the energy saving and emission reduction target. For the cement industry, it will be a year full of both opportunities and challenges. It is expected that economic growth rate for the full year will reach 7.0% and fixed asset investments growth rate will be 15%.

In 2015, disparities between supply and demand in the cement industry will be further reduced. In October 2013, the government published "Guiding Opinions of the State Council on Resolving the Conflicts of Serious Overcapacity", pursuant to which all local areas and departments should not establish any new cement project in any name or form. In 2014, the country eliminated obsolete production capacity of 81 million tonnes. It is expected that more than 50 million tonnes will be eliminated in 2015. With respect to new capacity, it is likely that there will not be any net increase. According to the new national standards, 32.5 grade cement will be officially abolished from 1 December 2015. Digital Cement expects that this measure will restrict the production of about 700 million to 800 million tonnes of 32.5 grade cement and accelerate the phase-out of small grinding mills due to increasing costs, thereby further improving industry structure. As the Company is principally engaged in the production and sale of premium high-grade cement, it will benefit greatly from this policy. The central government will persistently promote energy saving and emission reduction as well as ecological and environmental protection, and strive to achieve a blue sky and clean water at full speed. In 2014, the Ministry of Environmental Protection promulgated a series of new emission standards. Severe and stringent environmental protection law enforcement and rising environmental costs for cement enterprises will force certain enterprises out of the market. China's economy has entered a stage of new normal. Although slowdown in investment growth in 2015 is just a probability, favourable factors will continue to build confidence in the industry. The National Development and Reform Commission in 2014 approved infrastructure projects worth of more than RMB1.5 trillion in railway, highway and aviation industries, construction of which will commence or reach its peak in 2015. The Ministry of Housing and Urban-Rural Development has set a target for building 7 million units of affordable housing in 2015. The government will also focus on implementing the major strategies including "One Belt and One Road" as well as "Yangtze River Economic Belt", and continue to carry out rural development and new urbanization. All these measures will create enormous demand for cement. According to Digital Cement's estimation, cement demand in 2015 will grow steadily at a low rate of approximately 2-3%. Information from different sources indicated that coal price will stay at a low level for a long time and cement production costs will not be under great upward pressure. All in all, we expect that, although the cement industry has entered a new normal of low growth rate, improvement in supply-demand balance, transformation and upgrade of cement enterprises and a better cooperation-competition relationship among industry players will all have positive impact. As such, the outlook for the annual results performance of 2015 will be promising.

In 2015, the Group plans to sell an aggregate of over 33 million tonnes of cement, clinker and slag powder, representing a year-on-year increase of 3 million tonnes or 10%.

In 2015, the Group will seize the new opportunities brought by the development of the cement industry. It will innovate its marketing strategy to gain first-mover's advantage, and strengthen the control and management of account receivables to improve its operation efficiency. The Group will continue to dedicate efforts to energy saving, environmental protection, resource recycling and scrap reuse. The Group is also committed to making contribution to society, by establishing a positive relationship with the community and fulfilling its social responsibility as a large corporation. The Group hopes to achieve a total capacity of 40 million tonnes in 2015, and the ultimate target of 50 million tonnes in 2016, and to become one of the top 10 cement groups in China, thereby creating greater value for customers and shareholders. In view of its steady growth track over the past two decades since entering the mainland market, the management is optimistic about and confident in achieving its operation target set for 2015.

Impact of the Completion of Taizhou Silo on Marketing Plans

The silo in Taizhou (with a total storage capacity of 70,000 tonnes and annual cement intermediate storage capacity of 1.5 million tonnes) will commence operation in the first quarter of 2015. It will take full advantage of the golden waterway along the Yangtze River and ship products with large vessels to reduce costs. It is planned that 6000-tonne river-sea vessels will be used to carry products to intermediate points and Shanghai and other coastal areas, while 35,000-50,000-tonne sea vessels will be used to transport products to overseas markets. These will create new distribution channels for the Group's marketing network. Asia Cement has extensive experience in cement export in Taiwan (with a total export volume of 2.1 million tonnes in 2014), with a loyal and stable customer base. Leveraging its rich experience and established clientele, together with the prevailing favourable export price, the Group's export to overseas markets in off season will not only effectively ease inventory pressure of different plants, but also create satisfactory economic benefits, and even earn foreign exchange for the country.

Currently, the Company has high storage and transportation costs for sale to the downstream region of the Yangtze River. In addition, insufficient supply in peak season has often caused inconvenience to customers. The completion of the silo in Taizhou will increase the cost-efficiency in supplying products to the downstream region of the Yangtze River, thereby improving the Company's competitiveness and ability to ensure sufficient supply. With its rich experience in cement development and operation, the Group will be able to achieve a win-win situation for society, government and corporations by establishing a large silo in Taizhou's golden waterway.

2015 Cement Market Trend

Against the backdrop of a new normal of economic development in 2015, cement market demand will continue to grow at a low rate. However, the industry holds a cautiously optimistic attitude towards the trend in 2015. To support environmental protection and actively fulfil their social responsibility, cement enterprises in various regions of the country carried out "off-peak season production scheme" during the Spring Festival period that lasted for two to four months. Such will help regulate the amount of cement available for sale, and hence it is expected that there will not be much supply pressure after the Spring Festival period. The market price in the first half of the year is likely to remain at a level same as that of the fourth quarter in 2014. The infrastructure projects worth of more than RMB1 trillion approved by the government in 2014 will commence construction in the second quarter. This together with the policy on the abolishment of PC 32.5 grade cement will rejuvenate the market. As such, we expect that the market will present an upward tendency from the third quarter and reach a peak in the fourth quarter, and the overall market performance for the full year is likely to be relatively satisfactory.

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 2014, except the following:

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

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Liu, Zhen-tao and Mr. Lei, Qian-zhi, the independent non-executive Directors were unable to attend the annual general meeting held on 16 April 2014 and extraordinary general meetings held on 16 April 2014 and 6 August 2014 respectively 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 nine Directors, including six executive Directors, one non-executive Director and two independent non-executive Directors. Board members are listed below:

Executive Directors

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

Non-executive Director

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

Independent non-executive Directors

Mr. LIU, Zhen-tao (passed away on 24 February 2015)
Mr. LEI, Qian-zhi (resigned on 30 September 2014)
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

Mr. HSU, Shu-ping has been appointed as an executive Director of the Company on 13 March 2014, and Mr. LEI, Qian-zhi ("Mr. LEI") has resigned as an independent non-executive Director on 30 September 2014. In addition, Mr. LIU, Zhen-tao ("Mr. LIU") passed away on 24 February 2015.

The Board has noted that following the resignation of Mr. LEI and the passing away of Mr. LIU, the number of the independent non-executive Directors of the Company has fallen below the minimum number required under Rule 3.10(A) of the Listing Rules and the Company is required to fill up the vacancies of independent non-executive Directors within three months from 30 September 2014 and 24 February 2015 respectively, i.e. on or before 30 December 2014 and 24 May 2015 respectively, pursuant to Rule 3.11 of the Listing Rules.

However, despite the Company's strenuous effort to search for a suitable candidate with the appropriate professional qualifications and expertise to replace Mr. LEI as an independent non-executive Director, the Company is unable to identify such candidate to replace Mr. LEI on or before 30 December 2014. As such, the Company will use its best endeavors to identify and appoint individuals to replace Mr. LEI before 31 March 2015, and to replace Mr. LIU on or before 24 May 2015. Please refer to the Company's announcements on 30 December 2014 and 26 February 2015 for details.

Biographical information of the Directors is set forth on pages 29 to 31 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 30 June 2014, and Mr. HSU, Shu-ping has entered into a service contract with the Company for a term of three years commencing on 13 March 2014, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

The Board meets regularly in person or by means of electronic communication. The Board is planning to meet at least four times a year and eight meetings were held in 2014. 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 2014.

Director	Number of Board meetings attended
Mr. HSU, Shu-tong	8/8
Mr. HSU, Shu-ping (appointed on 13 March 2014)	7/8
Mr. CHANG, Tsai-hsiung	8/8
Dr. WU, Chung-lih	8/8
Madam CHIANG SHAO, Ruey-huey	8/8
Mr. CHANG, Chuen-kuen	8/8
Mr. LIN, Seng-chang	8/8
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	7/8
Mr. LEI, Qian-zhi (Resigned on 30 September 2014)	6/7
Mr. TSIM, Tak-lung Dominic	8/8
Dr. WONG, Ying-ho Kennedy	8/8

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

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

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

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

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each of the newly appointed Directors on his/her first appointment in order to enable him/her to have an appropriate understanding of the business and operations of the Company and to be fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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

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

The individual training record of each Director received for financial year ended 31 December 2014 is set out below:

Directors	Type of CPD
Executive Directors	
Mr. HSU, Shu-ping (appointed on 13 March 2014)	A and B
Mr. CHANG, Tsai-hsiung	A and B
Dr. WU, Chung-lih	A and B
Madam CHIANG SHAO, Ruey-huey	A and B
Mr. CHANG, Chuen-kuen	A and B
Mr. LIN, Seng-chang	A and B
Non-executive Director	
Mr. HSU, Shu-tong	A and B
Independent non-executive Directors	
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	B
Mr. LEI, Qian-zhi (resigned on 30 September 2014)	B
Mr. TSIM, Tak-lung Dominic	B
Dr. WONG, Ying-ho Kennedy	A and B

Notes:

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Two meetings were held in 2014 and all members attended the meetings.

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

REMUNERATION COMMITTEE

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

– making recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent process for developing the remuneration policy;

– determining the specific remuneration packages of all executive Directors and senior management, as well as making recommendations to the Board in relation to the remuneration of non-executive Directors;

– reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; and

– ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

One meeting was held in 2014 and all members attended the meeting.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration of the members of senior management by bands in 2014 is set out below:

Remuneration bands	Number of individuals
HK$1,000,001–HK$1,500,000	2
HK$1,500,001–HK$2,000,000	2

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, and Dr. WONG, Ying-ho Kennedy who are Independent non-executive Directors.

Two meetings were held in 2014 and all members attended the meetings.

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

NOMINATION COMMITTEE

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

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

One meeting was held in 2014 and all members attended the meeting.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, results and cash flow of the Group in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2014, 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 61 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 61 of this annual report.

The remuneration paid to Messrs. Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2014 is as follows:

	2014 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 2014, 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 2014 ("2014 AGM") was held on 16 April 2014. The notice of the 2014 AGM was sent to the shareholders of the Company at least 20 clear business days before the 2014 AGM.

The extraordinary general meetings of 2014 ("2014 EGMs") were held on 16 April 2014 and 6 August 2014, respectively. The notice of 2014 EGMs were sent to the shareholder of the Company at least 14 clear business day before the 2014 EGMs.

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

Directors	Attendance/ Number of general meetings
Executive Directors	
Mr. HSU, Shu-ping	3/3
Mr. CHANG, Tsai-hsiung	3/3
Dr. WU, Chung-lih	3/3
Madam CHIANG SHAO, Ruey-huey	3/3
Mr. CHANG, Chen-kuen	3/3
Mr. LIN, Seng-chang	3/3
Non-executive Director	
Mr. HSU, Shu-tong	3/3
Independent Non-executive Directors	
Mr. LIU, Zhen-tao (passed away on 24 February 2015)	0/3
Mr. LEI, Qian-zhi (resigned on 30 September 2014)	0/3
Mr. TSIM, Tak-lung Dominic	3/3
Dr. WONG, Ying-ho Kennedy	3/3

The Company's external auditor also attended the 2014 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 2014, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules. He will continue to comply with the Listing Rules to take no less than 15 hours of relevant professional training in each financial year.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. HSU, Shu-tong (徐旭東), aged 73, 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 245 companies extending into China with operations in countries including Canada, Japan, Hong Kong, Singapore, Malaysia, Thailand and Vietnam. Far Eastern Group has a workforce of 58,000, and in 2014, it has total assets of US$77.2 billion and annual revenues of US$21.5 billion.

The Group has nine public companies, which are leaders in their respective fields including Petrochemicals & Energy; Textile & Polyester Fiber; Cement/Building Material; Sea/Land Transportation; Financial Services; Construction; Telecommunications; Retail/Department Stores and Hotels. Group Foundations are committed to social responsibilities and include the establishment of Taiwan's leading technical institute, private university, and medical center/hospital. Mr. HSU is also the chairman of Far Eastern New Century Corporation, U-Ming Marine Transport Corporation, Far Eastern Department Stores Ltd., Oriental Union Chemical Corporation, Far EasTone Telecommunications Co., Ltd. and Asia Cement Corporation, the vice chairman of Far Eastern International Bank and a director of Everest Textile Co., Ltd., which are listed in Taiwan.

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

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

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

EXECUTIVE DIRECTORS

Mr. HSU, Shu-ping (徐旭平), aged 69, is an executive Director and the vice 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 vice chairman of Far Eastern New Century Corporation, and a director of Asia Cement Corporation and Far EasTone Telecommunications Co. Ltd. and a supervisor of U-Ming Marine Transport Corporation, all of which are listed in Taiwan. Mr. HSU is also the chairman of Air Liquide Far Eastern. Mr. HSU graduated from Stanford University with a master degree in Operation Research. Mr. HSU is brother of Mr. HSU, Shu-tong, Chairman and non-executive Director of the Company.

Mr. CHANG, Tsai-hsiung (張才雄), aged 91, is an executive Director. 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 50 years of experience in the cement industry in both Taiwan and the PRC.

Dr. WU, Chung-lih (吳中立), aged 65, 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 67, 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 67, is an executive Director, the deputy chief executive officer and the chief technical officer of the Group. Mr. CHANG is responsible for the production technology and research and development activities of the Group. Mr. CHANG has more than 46 years of experience of engineering and management in the cement industry. Mr. CHANG is also a director of Asia Cement Corporation, a company listed in Taiwan. Mr. CHANG joined Asia Cement Group in 1968 and joined the Group in December 1997. Mr. CHANG graduated from Taipei Technical Institute majoring in mechanical engineering.

Mr. LIN, Seng-chang (林昇章), aged 71, is an executive Director, the deputy chief executive officer and the chief marketing officer of the Group. Mr. LIN is primarily responsible for formulating and implementing the sales and marketing strategies of the Group as well as overseeing its sales and marketing activities. Mr. LIN has more than 50 years of experience of sales and management in the cement industry. Mr. LIN joined Asia Cement Group in 1962 and joined the Group in October 1999. Mr. LIN graduated from National Taipei College of Business in October 1962.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSIM, Tak-lung Dominic (詹德隆), JP, aged 68, has served as an independent non-executive Director of the Company since April 2008. Mr. TSIM is a non-executive director of **Playmates Holdings Limited and of the Greater China Fund, Inc. Mr. TSIM runs his own consultancy business which provides macro-level economic and political analysis to clients. Mr. TSIM served two terms on the Central Policy Unit of the Hong Kong Government in the 1990's. Mr. TSIM graduated from the University of Hong Kong in 1968 with a Bachelor of Arts degree in English.

Dr. WONG, Ying-ho Kennedy (黃英豪), BBS, LLD, DCL, JP, aged 52, 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 *Bank of Beijing Company Limited, Bohai Industrial Investment Fund Management Company Limited, **China Overseas Land & Investment Limited, **Goldlion Holdings Limited, **Shanghai Industrial Urban Development Group Limited, */**Sinopec Oilfield Service Corporation, and **Times Property Holdings 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.

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

SENIOR MANAGEMENT

Mr. WONG, Liang-shih (王亮石), aged 64, is the associate of the administration department of the Group and the purchasing manager of Southeastern region. Mr. WONG is primarily responsible for managing the procurement of the Group. Mr. WONG has over 30 years of experience of procurement management in the cement industry. Mr. WONG graduated from the Tamkang University in Taiwan majoring in English. Mr. WONG joined Asia Cement in August 1981 and joined the Group in December 1997.

Mr. WU, Chien-hua (吳建華), aged 59, is the associate of the finance department and the manager of the accounting and finance department of the Group. Mr. WU is primarily responsible for the accounting duties of the Group. Mr. WU has over 30 years of experience of accounting in the cement industry. Mr. WU graduated from the Soochow University in Taiwan majoring in accounting. Mr. WU joined Asia Cement in July 1981 and joined the Group in March 2005.

Mr. LEE, Shaw-shan (李紹先), aged 60, is the manager of the technical and production 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. LO, Wai-kit (盧偉傑), ACCA, FCPA, CFA, aged 41, is the company secretary and one of the authorized representatives of the Company. He has over 17 years of experience in the field of accounting and auditing. Prior to joining the Company in December 2007, he served as the vice president of finance and accounting of **CIG Yangtze Ports PLC, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. LO is an associate member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and hold a degree of Bachelor of Arts (Honours) in Accountancy from the City University of Hong Kong.

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

Corporate Social Responsibility Report

Together we can change the world for the better

I. COMPANY OVERVIEW

Asia Cement (China) Holdings Corporation (Hong Kong Stock Exchange Stock Code: 00743; the "Company" or "Asia Cement") was incorporated by Taiwan-based Far Eastern Group, in the Cayman Islands in April 2004. Under the Company, there are a total of 21 companies engaging in five major types of business, namely integrated cement manufacturing, cement grinding, cement products manufacturing, transportation and investment. The total assets of the Company amount to approximately RMB20 billion. The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since 20 May 2008.

Since Jiangxi Ya Dong Cement Corporation Ltd.'s first new dry-process cement production line with a daily output of 5,000 tonnes of clinker began operation in July 2000, nine production lines of the same model had been constructed by the Company and began operation in Jiujiang in Jiangxi, Chengdu in Sichuan, Wuhan and Huanggang in Hubei and other regions in China. In September 2013 and January 2014, two new dry-process cement production lines with a daily output of 6,000 tonnes of clinker of Jiangxi Ya Dong began operation. As a result of the aforementioned production lines together with Wuhan Yaxin Cement Co., Ltd. acquired in 2010 and Sichuan Lanfeng Cement Co., Ltd. acquired in 2014, the Company currently has a total of 15 new dry-process cement production lines concurrently in operation with an aggregate annual output of 35 million tonnes of cement. The Company was among the top 12 with the largest clinker capacity in China in 2013.

Jiangxi Ya Dong, Hubei Yadong, Wuhan Ya Dong, Huanggang Yadong and Yangzhou Ya Dong under the Company are located along the Yangtze River. Looking into the future, these companies will take advantage of the river to expand to other areas. Sichuan Yadong and Sichuan Lanfeng, located in Chengdu of Sichuan, have the advantages of being located in a metropolitan area. Leveraging the government's central and western development policies, the Company has become a major and large cement group in the central and downstream regions of the Yangtze River, as well as in the southwest area (Chengdu) in China. "Skyscraper" ("洋房牌") brand cement produced by the Company is a representative of high quality cement in Wuhan, Jiujiang, Nanchang, Yangzhou, Shanghai and Chengdu, etc. In future, to expand production capacity, the Company will continue to seize the right opportunity for building their own facilities or conducting mergers and acquisitions or strategic cooperation. The Company will strive to achieve its target of a 50 million tonnes annual production capacity by the end of 2016 and become one of China's top 10 cement groups, while contributing to urbanisation and infrastructure construction.

II. CORPORATE SOCIAL RESPONSIBILITY

The Company embraces Far Eastern Group's corporate culture of "Integrity, Diligence, Austerity, Prudence and Innovation". Leveraging the valuable experience in Taiwan, the Company strives to establish in Mainland China a large modern cement enterprise that could serve as a role model by committing to achieve "Three Highs, One Low" production target, namely "High Level of Environmental Protection, High Quality, High Efficiency, and Low Cost". The Company has always believed that "Industrial development and environmental protection can go hand-in-hand". As such, the Company has invested massive manpower and resources in sewage treatment, mine reclamation and environmental beautification, in an attempt to preserve and restore all types of native plants. The reclamation of the mines in the surrounding areas of factories shows remarkable results, which gain wide recognition by the government and specialized organizations in society. The Company is famous at home and abroad, having won a number of awards for energy saving and for being an advanced mining enterprise and model enterprise for environmental protection.

The Company believes its very existence and development depends largely on its most valuable assets – employees. As such, the Company is committed to creating a safe, harmonious work environment and providing opportunities for staff development. In addition, the Company continues to strengthen communication and cooperation with stakeholders, in order to maximise social value with its partners by integrating the idea of corporate social responsibility into the Company's operation and management.

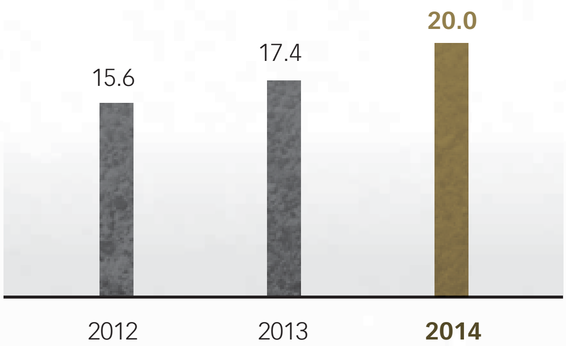
III. KEY PERFORMANCE INDICATORS

Indicators	Unit	2012	2013	2014
Total assets	RMB'000	15,648,964	17,361,715	**20,022,989**
Revenue	RMB'000	6,684,149	7,330,818	**8,193,716**
Total profit	RMB'000	508,927	1,109,024	**1,091,108**
Total tax expenses	RMB'000	705,460	716,540	**1,016,380**
Return on total assets	%	4.4	7.7	**6.8**
Total no. of staff	No. of persons	3,954	4,096	**4,746**
No. of new jobs created	No. of jobs	98	116	**138**
Rate of entering into employment agreement	%	100	100	**100**
Social security coverage rate	%	100	100	**100**
Proportion of female management	%	7.23	7.55	**8.96**
Average no. of annual leave per person	No. of days	5.5	5.7	**5.6**
Staff training coverage rate	%	100	100	**100**
Average investment in training per person	RMB/person	559	688	**792**
Average training time per person	No. of hours	30	32	**32**
Body check coverage rate	%	100	100	**100**
Safety training participation	No. of participants	8,870	14,334	**12,437**
Production safety investment	RMB'000	23,490	43,200	**46,290**
Number of safety and emergency drills	No. of drills	129	154	**149**
Total investment in environmental protection	RMB'000	326,280	123,950	**315,560**
Investment in energy saving and emission reduction technical upgrade	RMB'000	168,850	117,630	**147,780**
Total charitable donations	RMB'000	1,320	240	**1,200**
Customer satisfaction	%	94	93	**94**
Percentage of customer complaints being handled	%	100	100	**100**

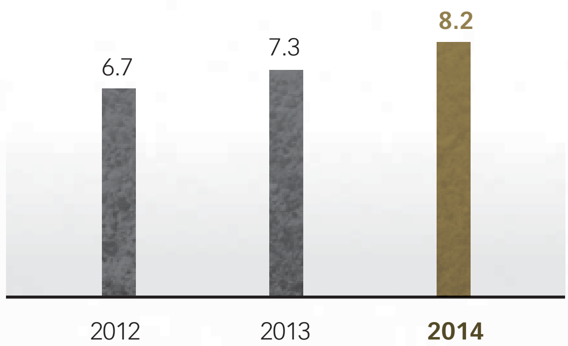
IV. VALUE CREATION

(I) Operating results

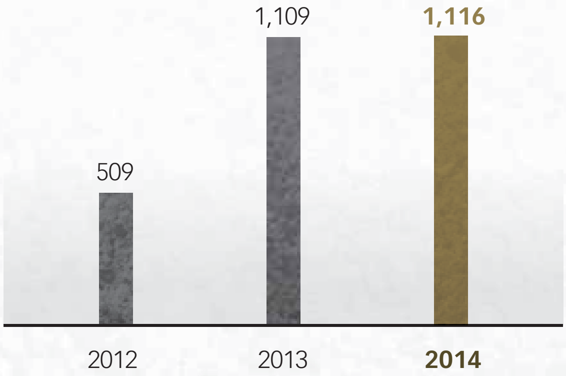
- **Total assets (RMB billion)**



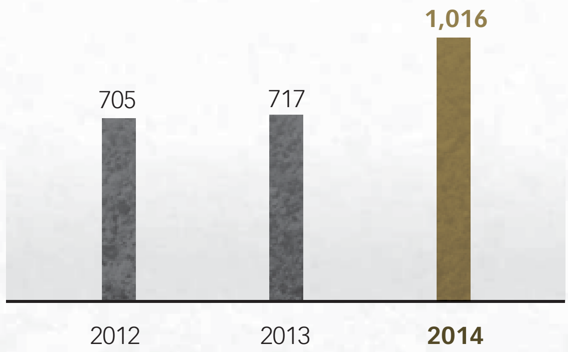
- **Revenue (RMB billion)**



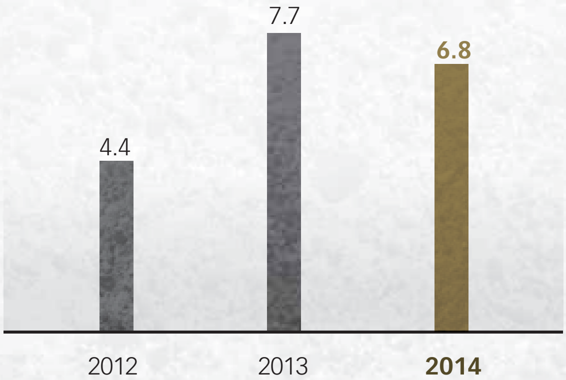
- **Total profit (RMB million)**



- **Income tax expenses (RMB million)**



- **Return on total assets (%)**



(II) Product innovation

Upholding its corporate values of "Integrity, Diligence, Austerity, Prudence and Innovation", The Group is committed to product innovation. As such, the Company keeps researching on ways to improve its product quality, so as to satisfy different customers' requirements.

The additives developed by The Group can effectively improve cement grinding process, while enhancing grinding efficiency and cement quality. The Company produces admixture by grinding a mix of wet fly-ash, limestone detritus, etc, and uses such admixture to substitute for secondary fly-ash or slag powder to manufacture cement. Such method not only enhances cement quality, but also saves costs significantly.

V. COMMITMENT TO CUSTOMERS

The Company provides high quality products and services by adhering to its quality policy of "Excellent Service, Premium Quality, Advanced Technology and Environmental Protection".

(I) First-rate quality and good customer service

The Company carries out strict quality management by stringently controlling raw material and fuel quality, optimising production management, as well as improving storage and transportation facilities. All this enables the Company to gain customers' trust in its product quality. Products (all grades) produced by the Company win the hearts of customers, and have been used in a number of key projects, including railway, airport and highway.

Truck fleet

The Company has set up a seamless customer service process that fully integrates pre-sales, sales and after-sales services to satisfy customers' demands at various stages. The Company also arranges its salespersons, quality management staff and other technicians to visit customers, assisting them in better utilising its products. In addition to understanding customers' needs, the visits can also help keep improving product and service quality.

(II) Maintaining communication with customers

The Company organises regular meetings with its customers, inviting them to visit the plant to enhance their understanding of the Company's production and quality management process. Such meetings also help customers better understand the Company, thereby facilitating them in forging long-term cooperation and deepening trust to grow with the Company.

For instance, Huanggang Yadong of the Group held a "Plasterers Presentation in May 2014, inviting plasterers to visit the company. On the presentation day, there were 165 people attending the event. They visited the cement central control room, quality management control room, and loading area. There was also a case study session conducted by the company's quality management department. Through first-hand experience of the stringent control system, customers saw the Company put product quality as its top priority which, to a large extent, increased the Company's brand influential power.

VI. COMMITMENT TO PARTNERS

(I) Multiple channels to communicate with investors

The Group strives to achieve two-way communication with individual and institutional investors. We believe constant communication can enable the parties to better understand each other's ideas, points of view and concerns.

The Company facilitates direct communication between its management and analysts and/or institutional investors through various channels, including phone calls, face-to-face meetings and factory tours, thereby enhancing investors' understanding of the Company's business development and growth strategies. Though not on a regular basis, our executive directors will hold meetings with institutional investors and analysts when necessary.

Shareholders can visit the Group's website (www.achc.com.cn) to obtain the Group's financial information, announcements, circulars, as well as corporate governance and other regular information on a timely basis. To maintain effective communication with shareholders in an environmentally-friendly manner, the Group encourages shareholders to obtain its corporate information through the Company's website.

We encourage shareholders to attend annual general meeting, and meet our chairman and senior management. The chairman and other members of the board, as well as external auditors will attend annual general meeting and extraordinary general meeting to answer questions from shareholders.

(II) Sunshine procurement

"Collective procurement" under headquarters' centralised operation is the realisation of procurement of all the raw material of companies under the Group and its overall procurement management. Adhering to the Group's guiding principles of "Integrity, Diligence, Austerity, Prudence and Innovation", the Company meticulously addresses various issues to pursue an innovative, modern and intelligent procurement system operated under a centralised platform by gathering procurement intelligence, leveraging the long-term benefits of centralised management and flexibility of local branches, as well as sharing resources. With this system, the Company maximises cost efficiency, while upholding integrity.

(III) Positive attitude towards media scrutiny

The Group has always paid high regard to its reputation and corporate image. The Company takes a positive attitude towards media scrutiny. It considers comments and suggestions from news articles and public opinions compiled by a designated person during its decision-making process. This approach is an important measure to enhance customers' services and improve product quality.

VII. CARE ABOUT STAFF

To uphold and carry out people-focused management under its corporate culture, the Company places welfare of the staff and their families at the top of its agenda – a manifestation of its care about its employees. The Company makes constant improvement in the staff's working environment and conditions and provides plenty opportunities for staff development and realising potential. Such measures are aimed to increase employees' recognition of the Company, their sense of belonging and loyalty to the Company, which in turn will enable them to maintain a positive work attitude along the path of development with the Company.

(I) Staff training

The Company has a training system for staff at different levels to ensure continuing career development for all employees, to identify and retain talented people, as well as to facilitate employees to grow with the Company. Constant improvement is made to the training programmes, with two major career paths reasonably laid for staff career development.

- **Managerial career path**
  To nurture its employees' management skills, the Company provides a managerial career path and organises relevant training programmes for different levels, e.g. TWI (training within industry) for team leader management, MTP (management training programme) for mid-level supervisor management, and business management strategy camp for senior supervisors.

- **Technical career path**
  In addition to a managerial career path, the Company also concerns itself with the training and development of technical staff by offering a technical career path. This will enable the Company to build a team of engineers, managers, etc.

- **Training system**
  The Company has established a comprehensive training system to speed up the pace of staff training, so as to meet its operations' needs. The system includes on-the-job training (apprenticeship), off-the-job training, rookie training, professional skills training, TWI for team leader, MTP for mid-level supervisor, industry exchange meeting, the Group's joint conference in Taiwan and tuition reimbursement. All these are aimed to improve staff's attitudes and skills at work.

- **Cooperation on vocational education**
  Leveraging its resources, the Group works with Yuan Ze University and Oriental Institute of Technology under Far Eastern Group to carry out vocational education programmes. Under this cooperation, the Group pushes ahead with plans for learning from industry experts, internship and grooming talents, etc, thereby rejuvenating its workforce by infusing young blood. Furthermore, the Group also joins hands with certain cement colleges in Mainland China to ensure supply of talent.

(II) Benefits package

- **Salary adjustment**
  To increase staff's passion at work, improve their quality of life, and raise the level of pay, salaries of all employees have been lifted by 13.81% starting from 1 May 2014. As a result, the Company's salary expenses for the year has increased by approximately RMB25 million.

- **Meal allowance**
  All the subsidiaries of the Company have their own large scale catering service. Staff only need to pay RMB1 to RMB2 to enjoy a buffet. The main meals, which include a variety of foods with proper amount of nutrition, are prepared under hygienic conditions. Usually there are three meat dishes, four vegetable dishes, one soup and fresh fruits. During the year, the Company spent over RMB11 million on meal allowance (that amount just takes into account the allowance paid to buy food, excluding the costs of facilities, labour, water and electricity, as well as staples such as rice, flour and oil)

- **Accommodation**
  The rooms of the staff living quarters are for two to four persons. They are all equipped with air conditioning and heating system, CCTV, bathroom, wired with broadband internet connectivity and feature a telephone. Water and electricity are free.

- **Welfare council activities**
  According to the size of the plant, subsidiaries of the Company build leisure facilities including basketball court, badminton court, tennis court, ping pong room, snooker room, chess and card rooms, reading room, gymnasium and KTV room. They also set up tennis club, basketball club, badminton club, soccer club, ping pong club, chess and card club, and hiking club, while a wide range of activities such as ball games, tours, fishing games and parties are held regularly. These activities help staff relieve job stress, enhance communication between colleagues and establish a more harmonious working environment. During the year of 2014, the welfare expenses of all the subsidiaries amounted to approximately RMB4 million.

(III) Staff Care

To strengthen team building, create a harmonious and favourable working environment and increase staff's sense of belonging and company cohesiveness, the Company has put staff care as one of its missions. The Company has put this into action by adopting a series of staff caring measures, such as:

- **Birthday present**
  In his/her birth month, every employee will receive a birthday card signed by the chairman, vice chairman and CEO, and a money gift for his/her birthday. In the year of 2014, the Company gifted birthday money presents with a total value of close to RMB400,000.

- **Festive celebration**
  In celebration of traditional festivals such as the Dragon Boat Festival, the Mid-Autumn Festival and Chinese New Year, the Company's senior management staff will have dinner with all staff to express appreciation for their contribution, and drink a toast to them. At the end of the year, the Group's chairman will join the annual party to celebrate the year's achievements with staff. At the party, the chairman will also give new year blessing to the staff and encourage them to advance in the year to come.

- **Helping one another in times of trouble**
  The Company strives to promote solidarity and friendship, and the spirit of helping one another. It advocates staff to be compassionate, resolving major crises of individuals with the help of other colleagues. Apart from formulating policies such as "Emergency Assistance Management Measures" and "Marriage and Funeral Money Gift Management Measures", the Company has organised several internal fund-raising events led by senior supervisors, thereby developing an effective mechanism for helping one another in times of trouble.

Case 1: On 18 December, 2012, a staff named Du Yunjian of Jiangxi Ya Dong, a subsidiary of the Company, had a fracture in her right thigh bone due to an accident. The Company provided timely assistance to help Du after learning that she had financial difficulties. As follow-up medical treatment posed a substantial burden and Du could not work during the six months after the accident and therefore did not have any income, Du had accumulated debts of tens of thousands by 2014. After understanding her situation, the Company promptly launched a fund-raising event, and staff's response was compassionate and positive. The event raised RMB32,145 and helped Du to pay off her debts.

Case 2: In June 2014, Li Yong, a staff from southwest purchasing department of the Company, was seriously ill, and he resigned after he could not return to work. After learning about his case, the Company offered him RMB46,300, being the maximum amount of financial compensation in medical aid, and RMB12,160 (withdrawn from Love Sharing Charity Fund) in the form of consolation. Meanwhile, staff made a voluntary donation of RMB21,540. The total amount of RMB80,000 helped ease the financial burden of Li's family

(IV) Fun staff activities

The Company and its subsidiaries organise various recreational activities on a regular basis. In 2014, there were nearly 2,000 enrolments (including family members) for tours of different places, including Hainan, Xiamen and Jiuzhaigou, organised by Asia Cement.

New employees engaging in tug-of-war and basketball competitions

Staff from different subsidiaries came together to enjoy themselves in April 2014

Tour to Nanchang, Yali and Sanya in June 2014

VIII. PRODUCTION SAFETY

(I) The Group's Environmental, Health and Safety ("EHS") Management System

1. The Group's safety culture

- *Safety vision*
  - Integrity, Diligence, Austerity, Prudence
  - Innovative Development
  - Safety Awareness Across the Board
  - Asia Cement – A Safe Workplace

  Employees of The Group are sincere and diligent, simple and prudent, and keep abreast of latest development. Together they help build a happy workplace.

- *Safety and health policy*
  - safety first, emphasis on prevention;
  - total involvement, comprehensive treatment;
  - reduce pollution, keep healthy;
  - compliance with laws and regulations, constant improvement;
  - gradual enhancement in performance, with controllable risks

- *Safety and health goals*
  - accident results in critical injuries or deaths: 0;
  - minor injuries per 1 million working hours: ≤ 5 incidents;
  - occupational diseases (diagnosed): 0;
  - major accidents associated with equipment, fire, explosion and traffic: 0;
  - passing rate of toxic dust at production site: 95%

- *Safety and environmental protection recommendations*
  - production can only be carried out in a safe and clean environment;
  - safety is an economic benefit, while environmental protection is a social responsibility

2. **Establishment of management system**

In response to the government's appeal of "energy-saving and low-carbon action", The Group establishes and effectively operates a sound Energy Management System and Enterprise Energy Management Mechanism according to the requirements of GB/T 23331-2012/ISO 50001:2011 energy management system. The Company further defines work duties and missions, and gradually sets energy saving targets for workshops, teams and individuals. The Company implements operational energy management to increase energy efficiency, constantly reduce energy consumption per unit product and enhance its competitiveness.

(II) Establishment of emergency response system

- **Emergency response mechanism**

  The Group has established an emergency response management unit, and has clearly defined the responsibilities of different departments for coordination in time of emergency. It assigns different departments to deal with different categories of emergency such as natural disasters, production safety, environmental emergencies, public health and social security. The Company has formulated Emergency Response Plans for Production Safety Incidents, including Comprehensive Emergency Response Plans, Special Emergency Response Plans and Plans for Handling Situation at The Scene.

- **Emergency management training and drill**

  The Group has held 67 emergency drills of various kinds in 2014, with 939 participants. It has also invited Red Cross and Emergency Rescue Center to provide first-aid training, including CPR, trauma emergency treatment and earthquake escape knowledge, etc. By learning through drills, action plans can be improved, making the emergency plans more practical, useful and reliable. The Group has also clearly defined responsibilities of relevant staff, and has reviewed the emergency response procedures so that it could achieve quick response, timely rescue as well as disaster management.

Special drill of SNCR ammonia leakage

(III) Production safety supervision and management

- **Establishing companies meeting China's 2nd grade national safety standards**

  Jiangxi Ya Dong, Sichuan Yadong, Huanggang Yadong and Hubei Yadong all meet China's 2nd grade national safety standards, while other companies meet China 3rd grade national safety standards. By implementing production safety standardization, the Group has established a complete safety management structure, and put in place a safety responsibility system at all levels of the organization. The Group will also establish a comprehensive set of standard practice for each position; as of now, it has completed 238 standards. One or more safety supervisors and safety inspectors have been assigned to each production team. These safety supervisors and inspectors will conduct daily on-site inspection and report the results to general manager and workshop supervisors. Each month, those who find the highest number of problems will be awarded, and each quarter, the top fault finders will also be awarded during the quarterly large-scale safety inspection led by factory heads. The Group has also formulated "Standards for Giving Awards and Punishment To Regulate Staff Safety Behavior", and "Construction Safety and Sanitation Rules for Contractors" to punish and educate staff and staff of contractors who have violated the rules. As such, the Group has developed a safety culture where "people manage safety, and good safety management benefits people."

- **"Production Safety Month" activities**

  The 13th National Production Safety Month took place in June 2014, focusing on the theme of "Raising Red-line Consciousness, Promote Safety Culture Development". In response to the theme, subsidiaries of the Group have organized a wide range of activities. For instance, Jiangxi Ya Dong and Sichuan Yadong have put up safety promotion posters on bulletin boards, shown safety educational films in workshops, and held vocational wellness quiz.

Staff of Jiangxi Ya Dong watching a safety education film in June 2014

- **Safety training for relevant third parties**
  The Group is committed to carry out safety management, and requires relevant third parties to implement safety management systems with the same commitment. During discussion with the relevant third parties on preliminary work, the Group will notify the relevant third parties about risks and hazardous factors in advance and sign Production Safety Agreement and Construction Safety and Sanitation Rules for Contractors. Every staff of the relevant third parties who work in the Group's factories is required to receive 3-level safety education and training. Grade 1 basic knowledge on safety will be taught by their supervisor; Grade 2 will include safety management rules to be taught by the Company's professional safety management unit, watching safety education films as well as discussion and analysis of accidents; Grade 3 will be taught by the Company's responsible units on the potential dangers and hazardous factors of workplace, safety techniques, preventative measures, emergency rescue, etc. Only those who have received complete safety education and training, and know safety techniques can work in the Group's factories.

IX. GREEN DEVELOPMENT

(I) Environmental protection begins from production plant construction

Being proactive in its response to the State's policies, the Company has set energy saving and emission reduction as its objective. By implementing measures to achieve this goal, the Company not only fulfills the State's requirement of energy saving and emission reduction, but also reduces production costs and improve economic benefits through energy saving and consumption reduction. In December 2010, the country's Ministry of Industry and Information Technology put Jiangxi Ya Dong Cement Corporation Ltd. on the list of national pilot companies for resources saving and environmental protection.

(II) Energy saving and emission reduction

- **Technological upgrade of denitrification project to reduce nitrogen oxide emission**
  Under the existing denitrification measures of low-nitrogen combustion, the Group has completed denitrification technological upgrade for 13 rotary kilns. Each kiln adopts selective non-catalytic reduction (SNCR) technology for flue gas denitrification, where ammonia water is mixed with flue gas under specified conditions, and nitrogen oxide is converted back to nitrogen and water without the use of a catalyst. An overall denitrification efficiency of 70% has been achieved, and the Group is the first to have denitrification facilities operate in succession. The investment was financed by internal resources (approximately RMB20 million). Denitrification facilities and continuous operation have gained full recognition from the State's Ministry of Environmental Protection, the provincial department of environmental protection as well as municipal department of environmental protection, and have received awards from the government in accordance with relevant regulations.

- **Pure low-temperature residual heat power generation to conserve coal and reduce emission**
  Subsidiaries of the Group have utilized the residual heat from the head and tail of rotary kilns to generate power. In 2014, the total amount of power generated by residual heat was 602.46 million units, equivalent to a saving of 193,390 tonnes of standard coal if calculated according to the coal consumption rate for electricity generation of 321g/kWh published by the National Energy Administration of China in 2013. If 2.66 tonnes of carbon dioxide are generated for each tonne of standard coal consumed, a total of 514,400 tonnes of carbon dioxide emission could be reduced; if 0.0192 tonne of sulfur dioxide is generated for each tonne of standard coal consumed, then 3,700 tonnes of sulfur dioxide emission could be reduced.

- **Actively participating in the trading of carbon emission quota**
  Carbon emission quota management is an important measure promoted by the government to reduce carbon emission. In order to coordinate with local governments to reduce carbon emission and to control atmospheric pollution, The Group actively coordinates and participates in carbon emission quota trading. For example, subsidiaries of the Group including Hubei Yadong, Huanggang Yadong and Wuhan Yaxin actively participated in the trading of carbon emission quota promoted by the government. As at 31 December 2014, the Company had invested RMB8.49 million in purchasing carbon emission quota.

- **Jiangxi Ya Dong received Jiangxi's Innovative Energy Saving and Emission Reduction Technology Award for Separate Grinding of Sandstone**
  In June 2013, at the event "Model Companies for Innovative Energy Saving and Emission Reduction Technology of Jiangxi Province" organized by Jiangxi Provincial Department of Science and Technology, and co-organized by Jiangxi Provincial Development and Reform Commission, Commission of Industry and Information Technology of Jiangxi Province, and Environmental Protection Department of Jiangxi Province, "successful application of China's cement industry's first sandstones separate grinding technology" developed by Jiangxi Ya Dong Cement Corporation Ltd was approved by experts, and received a certificate of honor in September with an RMB100,000 award. Jiangxi Ya Dong is the only cement company receiving this award.

(III) Circular economy and renewable resources

- **Circular economy and green development**
  The Group's integrated rotary kilns are installed with residual heat power generators, using the residual heat from the kiln head and tail for power generation. In 2014, the total amount of power generated by residual heat was 602.46 million units, equivalent to a saving of 193,390 tonnes of standard coal if calculated according to the coal consumption rate for electricity generation of 321g/kWh published by the National Energy Administration of China in 2013. If 2.66 tonnes of carbon dioxide are generated for each tonne of standard coal consumed, a total of 514,400 tonnes of carbon dioxide emission could be reduced; if 0.0192 tonne of sulfur dioxide is generated for each tonne of standard coal consumed, then 3,700 tonnes of sulfur dioxide emission could be reduced.

The Group embraces Taiwan-based Far Eastern Group's corporate culture, which is built on "Integrity, Diligence, Austerity, Prudence and Innovation". It strives to establish in Mainland China a model cement enterprise that is large, modern and committed to achieving "Three Highs, One Low" target of "High Level of Environmental Protection, High Quality, High Efficiency, and Low Cost". It will continue to meet the yardsticks in "environmental protection, equipment and management", thereby laying a solid foundation for its sustainable development and setting benchmarks for the industry.

- **Using industrial waste for various purposes and exploration of alternative fuel**
  At the start of building a plant, The Group will actively conduct study on how to utilize the industrial waste found in nearby district to produce cement and concrete, gravel, aggregate. As such, the Group has been actively seeking usable industrial waste, including mineral slag, steel slag, non-ferrous slag, sulfate slag, gangue and abandoned construction bricks, and transform them into valuable resources.

  In 2014, the Group utilized a total amount of 8.718 million tonnes of industrial waste, including 1.64 million tonnes of limestone detritus, 1.224 million tonnes of barren rock, 1.259 million tonnes of fly-ash, 1.02 million tonnes of desulphurization gypsum, 302,000 tonnes of phosphogypsum, 2.22 million tonnes of mineral slag, 399,000 tonnes of steel slag, 461,000 tonnes of non-ferrous slag, 75,000 tonnes of sulfate slag, 116,000 tonnes of gangue and 2,000 tonnes of abandoned construction bricks, thereby contributing to energy conservation and waste reduction.

  It is the Group's belief that "safety is an economic benefit, while environmental protection is a social responsibility." In 2014, its subsidiary Sichuan Yadong Cement Co., Ltd. conducted a trial run in using 1,000 tonnes of tailings and waste generated from quarrying at Pengzhou Longmen Mountain copper ore, with the aim to reduce environmental pressure in the local area. The use of the tailings and waste had been approved by Pengzhou Environment Protection Authority. In future, the Group will, depending on circumstances, continue to contribute to waste reduction in the towns where its cement plants are located.

- **Implementing ecological restoration to mines; building "green mines"**
  The Group pays high regard to mine reclamation. Copying success from its mine reclamation in Taiwan and strictly adhering to its "mine reclamation" standards, the Group incorporates mine reclamation into its production development plan, implementing sustainable development strategy and the policy of "protect the environment while developing; develop while protecting the environment". In the mining areas, the Group aims at reducing impact on the habitat of animals and plants from its production activities, thereby ensuring a healthy living environment and continual existence of species residing within the district. This can be achieved through various methods, including reusing water resources in mines, zero sewage discharge, promptly recycling waste oils, improving blasting shock absorption and vibration control technology. Timely reclamation and restoration of water in soil are used for side slopes and permanent districts. This not only reduces damage to the ecological environment, but also gradually restores

the natural scenery. For the unmined areas, the indigenous plant and wild animals are protected through setting protected areas and prohibited zones, thereby reducing migration and extinction of species due to human factors.

Case 1: At Jiangxi Ya Dong Huawu Sandstone Mine, reclamation of the side slope with an area of approximately 20,000 sq m at the end of the eastern section had been completed. The total cost of this reclamation was approximately RMB234,000. Reclamation had also been carried out along a road of 500 m that leads into the mine (cost: approximately RMB65,000), a road of 3,000 m that runs uphill to the limestone mine area (cost: RMB390,000), and over an area of 12,000 sq m where the #3&#4 transportation systems of the crushed limestone ran along (cost: RMB156,000). In order to make good use of natural rainwater in the mine, the Company invested RMB2 million for constructing three dams and sediment basins. The rainwater is transported to the reservoir at the peak by water pump and used for various purposes, thereby fully utilizing natural resources.

Results of reclamation of the last section of Huawu Sandstone Mine

Case 2: Sichuan Yadong Cement Co., Ltd., a subsidiary of the Group, replaced traditional trucks with downhill belt conveyor for transportation. In addition to eliminating the problems of dust plume creation and potential traffic accidents caused by truck transportation, this approach also meets the international target of energy conservation and emission reduction set by the Kyoto Protocol. To create a harmonious relationship with residents living in the surrounding areas of the mine, the company also spent RMB10.23 million in installing wheels that produce low noise to effectively reduce sound pollution, which gained approval from the local residents and the government.

Sichuan Yadong's conveyor belt for transporting limestone

X. COMMUNITY AND CHARITABLE ACTIVITIES

Asia Cement (China) actively takes part in community and charitable activities. Its subsidiaries actively donate cement to help surrounding villages repair bridges, construct roads, and improve infrastructure facilities. For people living in poverty, the Group helps them through donating money or goods. In 2014, Asia Cement (China) made 30 donations with a total amount of RMB1.2 million.

Donating RMB10 million and supplies worth RMB2 million for Sichuan Wenchuan Earthquake

DIRECTORS' REPORT

The Directors are pleased to present their Annual Report, including the audited consolidated financial statements for the year ended 31 December 2014.

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 136 to 138 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 2014 are set out in the consolidated statement of comprehensive income on page 62.

The Directors recommended the payment of a final dividend of RMB15 cents per ordinary share, totaling RMB235,027,650 in respect of the year to shareholders on the register of members on 29 May 2015. The proposed final dividend for the year ended 31 December 2014 has been approved at the Company's Board meeting on 16 March 2015. Details of the dividends for the year ended 31 December 2014 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, 13 May 2015 to Wednesday, 20 May 2015, 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, 20 May 2015 ("2015 AGM"), all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Tuesday, 12 May 2015.

Subject to the approval of shareholders at the 2015 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 Friday, 29 May 2015 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2015.

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 2014, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB2,888.2 million. The amount of approximately RMB2,888.2 million includes the Company's share premium account of approximately RMB3,431.8 million and accumulated losses of approximately RMB543.6 million in aggregate as at 31 December 2014, 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 RMB1.2 million.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set forth in notes 36 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 2013 and 2014.
— 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 2013 and 2014.
— 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 2014 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

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

Executive Directors

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

Non-executive Director

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

Independent non-executive Directors

Mr. LIU, Zhen-tao (passed away on 24 February 2015)
Mr. LEI, Qian-zhi (Resigned on 30 September 2014)
Mr. TSIM, Tak-lung Dominic
Dr. WONG, Ying-ho Kennedy

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

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

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

DIRECTORS' AND SENIOR MANAGEMENTS' BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set forth on pages 29 to 31 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 2014 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 30 June 2014, all of which may be terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing.

The Company has issued an appointment letter to Mr. HSU, Shu-tong, non executive Director for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than one month's prior notice in writing.

The Company has issued an appointment letter to each of the independent non-executive Directors for a term of three years commencing on 30 June 2014, which may be terminated in accordance with the provisions thereof by either party giving to the other not less than two months' prior notice in writing.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2014, 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
Name of Director	Personal interests	Equity derivatives	Total interests	issued shares
Mr. Hsu, Shu-ping	200,000	–	200,000	0.01%
Mr. Chang, Tsai-hsiung	1,433,000	–	1,433,000	0.09%
Mr. Wu, Chung-lih	400,000	–	400,000	0.03%
Madam Chiang Shao, Ruey-huey	477,000	–	477,000	0.03%
Mr. Hsu, Shu-tong	3,000,000	–	3,000,000	0.19%
Mr. Chang, Chen-kuen	430,000	–	430,000	0.03%
Mr. Lin, Seng-chang	400,000	–	400,000	0.03%

Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Type of interest: Personal	Type of interest: Through spouse	Type of interest: Corporate	Total no. of shares in the associated corporation	% of shareholding in the associated corporation
Mr. Hsu, Shu-ping	Asia Cement	11,454,981	279,220	–	11,734,201	0.35%
Mr. Chang, Tsai-hsiung	Asia Cement Corporation ("Asia Cement")	459,350	60,877	–	520,227	0.02%
	Oriental Industrial Holdings Pte., Ltd ("Oriental Industrial")	2,000	–	–	2,000	0.0004%
Madam Chiang Shao, Ruey-huey	Asia Cement	69,873	2,442	–	72,315	0.002%
	Oriental Industrial	1,000	–	–	1,000	0.0002%
Mr. Hsu, Shu-tong	Asia Cement	23,278,334	8,124,332	–	31,402,666	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	11,877	5,358	–	17,235	0.0005%
Mr. Lin, Seng-chang	Asia Cement	16,892	476	–	17,368	0.0005%

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014 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 2014, 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 2014, 11,578,000 options were granted under the Pre-IPO Share Option Scheme, of which 10,601,000 share options have been exercised. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK$4.2075 per share. The holders of the said share options may exercise options pursuant to the following schedules of vesting period and percentage:

(i) The employee of the Group

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

(ii) The director of the Group

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

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

Details of the share options outstanding as at 31 December 2014 which have been granted under the Pre-IPO Share Option Scheme are as follows:

Name	Date of Grant	Options outstanding at 1 January 2014	Granted during the year	Options exercised during the year	Option lapsed on expiry	Options cancelled	Option outstanding at 31 December 2014
Directors							
Mr. Hsu, Shu-ping	17 April 2008	200,000	–	200,000	–	–	–
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	5,278,000	–	4,301,000	–	977,000	–
		11,578,000	–	10,601,000	–	977,000	–

(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 2014, 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 2014.

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

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

NON-COMPETITION UNDERTAKING

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

LONG TERM RECEIVABLES

Details of long term receivables from the Wuhan City Government are set out in note 33 to the financial statements.

Receivable from the Wuhan City Government

During 2014, RMB6 million had been repaid by Wuhan City Government, RMB2 million of which was related to the repayment of receivable that Asia Cement has provided an indemnity in respect of its loss. Beside, RMB2 million had been repaid by Wuhan City Government in February 2015, such repayment 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 2014.

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

16 March 2015

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 62 to 141, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**8,193,716**	7,330,818
Cost of sales		**(6,282,321)**	(5,714,167)
Gross profit		**1,911,395**	1,616,651
Other income	9	**161,430**	161,952
Other gains and losses	10	**(43,761)**	113,988
Distribution and selling expenses		**(415,017)**	(369,503)
Administrative expenses		**(339,164)**	(261,604)
Finance costs	11	**(188,151)**	(157,998)
Share of profits of joint ventures		**4,183**	3,600
Share of profit of an associate		**193**	1,938
Profit before tax		**1,091,108**	1,109,024
Income tax expense	12	**(278,128)**	(262,720)
Profit for the year	13	**812,980**	846,304
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss) gain on available-for-sales investment		**(379)**	379
Fair value gain on a hedging instruments in cash flow hedges		**3,424**	4,239
Total comprehensive income for the year		**816,025**	850,922
Profit for the year attributable to:			
Owners of the Company		**790,313**	823,010
Non-controlling interests		**22,667**	23,294
		812,980	846,304
Total comprehensive income for the year attributable to:			
Owners of the Company		**793,358**	827,628
Non-controlling interests		**22,667**	23,294
		816,025	850,922
		RMB	RMB
Earnings per share	16		
Basic		**0.507**	0.529
Diluted		**0.506**	0.529

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	11,364,794	10,313,948
Quarry	18	266,118	202,355
Prepaid lease payments	19	663,148	584,415
Goodwill	20	693,000	138,759
Other intangible assets	21	8,554	9,726
Interest in joint ventures	22	75,613	31,691
Interest in an associate	23	17,113	16,920
Restricted bank deposits	29	25,840	25,840
Deferred tax assets	32	29,766	27,015
Long term receivables	33	22,380	35,925
Long term prepaid rental	34	31,864	25,094
		13,198,190	11,411,688
CURRENT ASSETS			
Inventories	24	966,335	714,262
Long term receivables – due within one year	33	20,573	28,697
Trade and other receivables	25	3,039,842	2,722,117
Available-for-sales investments	26	–	99,690
Prepaid lease payments	19	18,118	17,764
Loan to related companies	27	437,000	391,421
Amount due from an associate	27	–	5,297
Restricted bank deposits	29	18,347	3,258
Bank balances and cash	29	2,324,584	1,967,521
		6,824,799	5,950,027
CURRENT LIABILITIES			
Trade and other payables	30	1,201,699	783,419
Amount due to a joint venture	27	6,668	6,865
Tax payables		46,874	103,117
Derivative liabilities	28	2,876	–
Borrowings – due within one year	31	4,804,222	3,473,494
		6,062,339	4,366,895
NET CURRENT ASSETS		762,460	1,583,132
TOTAL ASSETS LESS CURRENT LIABILITIES		13,960,650	12,994,820

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*31*	**3,814,465**	3,482,953
Derivative liabilities	*28*	**–**	6,300
Deferred tax liabilities	*32*	**27,839**	18,692
Provision for environmental restoration	*35*	**13,212**	9,052
		3,855,516	3,516,997
NET ASSETS		**10,105,134**	9,477,823
CAPITAL AND RESERVES			
Share capital	*36*	**140,390**	139,549
Reserves		**9,690,227**	9,095,800
Equity attributable to owners of the Company		**9,830,617**	9,235,349
Non-controlling interests		**274,517**	242,474
TOTAL EQUITY		**10,105,134**	9,477,823

The consolidated financial statements on pages 62 to 141 were approved and authorised for issue by the Board of Directors on 16 March 2015 and are signed on its behalf by:

HSU, SHU-PING
DIRECTOR

CHIANG SHAO, RUEY-HUEY
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 e)*	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013	139,549	3,376,570	865,965	286,038	1,673,893	22,515	(10,539)	–	2,247,218	8,601,209	282,471	8,883,680
Profit for the year	–	–	–	–	–	–	–	–	823,010	823,010	23,294	846,304
Other comprehensive income for the year	–	–	–	–	–	–	4,239	379	–	4,618	–	4,618
Total comprehensive income for the year	–	–	–	–	–	–	4,239	379	823,010	827,628	23,294	850,922
Appropriation	–	–	99,790	–	–	–	–	–	(99,790)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	124	–	–	–	124	–	124
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(155,625)	(155,625)	–	(155,625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(3,215)	(3,215)
Acquisition of non-controlling interests *(note c)*	–	–	–	–	(37,987)	–	–	–	–	(37,987)	(60,076)	(98,063)
Balance at 31 December 2013	139,549	3,376,570	965,755	286,038	1,635,906	22,639	(6,300)	379	2,814,813	9,235,349	242,474	9,477,823
Profit for the year	–	–	–	–	–	–	–	–	790,313	790,313	22,667	812,980
Other comprehensive income for the year	–	–	–	–	–	–	3,424	(379)	–	3,045	–	3,045
Total comprehensive income for the year	–	–	–	–	–	–	3,424	(379)	790,313	793,358	22,667	816,025
Contribution from non-controlling interest *(note d)*	–	–	–	–	–	–	–	–	–	–	18,504	18,504
Appropriation	–	–	196,748	–	–	–	–	–	(196,748)	–	–	–
Issue of ordinary shares under Pre-IPO share option scheme *(note 40)*	841	55,236	–	–	–	(20,729)	–	–	–	35,348	–	35,348
Expiration of options under Pre-IPO share options scheme *(note 40)*	–	–	–	–	–	(1,910)	–	–	1,910	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	(233,438)	(233,438)	–	(233,438)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,128)	(9,128)
Balance at 31 December 2014	140,390	3,431,806	1,162,503	286,038	1,635,906	–	(2,876)	–	3,176,850	9,830,617	274,517	10,105,134

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 2014 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 2014 represents mainly (i) approximately RMB1,623,254,000 as the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of share capital and share premium of the subsidiaries acquired by the Company through the exchange of shares during the Company's reorganisation in 2004; (ii) approximately RMB3,577,000 as the difference between the capital injected by Der Ching Investment Co. Ltd. ("Der Ching Investment"), a wholly-owned subsidiary of Asia Cement, and the increase in carrying amount of the non-controlling interest as a result of the deemed disposals 2007. After the capital injection, Der Ching Investment's interest in Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") was further increased from 18.92% to 36.84%; (iii) approximately RMB54,216,000 as the difference between the consideration in acquiring the remaining 36.84% equity interests in Sichuan Yadong from Der Ching Investment and the decrease in the carrying amount of the non-controlling interest as deemed contribution from Asia Cement in 2008; and set off by (iv) approximately RMB37,987,000 as the difference between the decrease in the non-controlling interests of approximately RMB60,076,000 (being the reduction in the proportionate share of the carrying amount of the net assets of Wuhan Yaxin Cement Co., Ltd. ("Wuhan Yaxin")) and the consideration paid of approximately RMB98,063,000 in relation to the acquisition of additional 20% equity interest in Wuhan Yaxin from non-controlling shareholder.

d. The capital contribution from non-controlling shareholders represents their share of additional contributed capital of US$3,000,000 (equivalent to RMB18,504,000) in Jiangxi Ya Dong Cement Corporation Ltd. ("Jiangxi Ya Dong"). The registered capital of Jiangxi Ya Dong were increased during the year ended 31 December 2013 and contributed by the Group and the non-controlling shareholders on a pro rata basis based on the existing ownership.

e. The aggregate notional principal amount of the outstanding United States dollar ("USD") interest rate swap as at 31 December 2014 of US$35,000,000 (2013: US$45,000,000) 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 28.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**1,091,108**	1,109,024
Adjustments for:			
Depreciation and amortisation		**978,082**	752,247
Finance costs		**188,151**	157,998
Allowance for doubtful debts, net		**31,974**	6,567
Loss on changes in fair value of held-for-trading investments		**–**	3,245
Provision for environmental restoration		**4,160**	3,052
Loss on disposal/write off of property, plant and equipment		**1,346**	648
Share-based payment expense		**–**	124
Interest income on bank deposits		**(46,197)**	(60,171)
Interest income on held-to-maturity investments		**(2,654)**	(7,570)
Share of profits of joint ventures		**(4,183)**	(3,600)
Share of profit of an associate		**(193)**	(1,938)
Gain on disposal of held-to-maturity investments		**–**	(340)
Operating cash flows increase before movements in working capital		**2,241,594**	1,959,286
(Decrease) increase in trade and other payables		**(830,279)**	116,749
Decrease in held-for-trading investments		**–**	51,898
(Increase) decrease in inventories		**(162,680)**	42,828
Increase in trade and other receivables		**(181,639)**	(167,999)
Increase in prepaid rental		**–**	(14,528)
Decrease in amount due to a joint venture		**(197)**	(3,445)
Increase in amount due from an associate		**–**	(683)
Cash generated from operations		**1,066,799**	1,984,106
Income taxes paid		**(348,602)**	(191,390)
NET CASH FROM OPERATING ACTIVITIES		**718,197**	1,792,716

	Note	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Proceeds on disposal of available for sales		99,690	–
Proceeds on disposal of held-to-maturity investment		–	79,183
Interest received on bank deposits		46,197	60,171
Proceeds on disposal of property, plant and equipment		6,724	21,096
Repayments of long term receivables from local governments in PRC		13,274	16,000
Withdrawal of restricted bank deposits		2,087	12,354
Interest received on held-to-maturity investments		2,654	7,570
Dividends received from a joint venture		1,570	800
Purchases of property, plant and equipment		(694,595)	(1,636,107)
Loan to related companies		(437,000)	(391,421)
Repayment from related companies		396,718	–
Purchases of held-to-maturity investments		–	(51,929)
Advances to local governments		(13,000)	(25,000)
Purchases of land use rights		(2,082)	(19,531)
Placement of restricted bank deposits		(17,176)	(798)
Purchases of intangible assets		(1,906)	(788)
Payment for acquisition of quarries		(477)	(743)
Acquisition of investment in a joint venture		(41,309)	–
Acquisition of a subsidiary	37(d)	(606,834)	–
NET CASH USED IN INVESTING ACTIVITIES		(1,245,465)	(1,929,143)
FINANCING ACTIVITIES			
Proceeds from exercise of share options		35,348	–
Repayments of borrowings		(3,464,665)	(2,435,484)
Interest paid		(195,405)	(181,656)
Dividends paid		(233,438)	(155,625)
Acquisition of non-controlling interest		–	(98,063)
Dividends paid to non-controlling interests		(9,128)	(3,215)
New borrowings raised		4,733,115	3,357,877
Capital contribution from a non-controlling interest		18,504	–
NET CASH FROM FINANCING ACTIVITIES		884,331	483,834
NET INCREASE IN CASH AND CASH EQUIVALENTS		357,063	347,407
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,967,521	1,620,114
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		2,324,584	1,967,521

1. GENERAL

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

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

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

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

Application of new and revised IFRSs

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

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

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

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

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

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

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

Application of new and revised IFRSs (continued)

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

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

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

Application of new and revised IFRSs (continued)

IFRIC 21 – Levies

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

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

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:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for first annual IFRS financial statements beginning on or after 1 January 2016*
3 *Effective for annual periods beginning on or after 1 January 2017*
4 *Effective for annual periods beginning on or after 1 July 2014*
5 *Effective for annual periods beginning on or after 1 January 2016*
6 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

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

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company do not anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

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

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

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

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

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

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

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

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

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 *Consolidated Financial Statements* and to IFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

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

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

- The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle

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

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

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

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

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

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

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

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

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

Annual Improvements to IFRSs 2010–2012 Cycle (continued)

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010–2013 Cycle

The *Annual Improvements to IFRSs 2010–2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

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

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

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

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

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

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

The *Annual Improvements to IFRSs 2012–2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 *Interim Financial Reporting*.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

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

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

Annual Improvements to IFRSs 2012–2014 Cycle (continued)

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's 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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and its subsidiaries. Control is achieved where the Company:

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Goodwill

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

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

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

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

Investments in associates and joint ventures

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

Transportation fee income is recognised when the services are provided.

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

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Leasehold land and buildings

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

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

Quarry

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment loss of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above).

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Government grants

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

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

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

AFS financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, long term receivables, amount due from an associate, loan to a related company, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days for cement customers and 365 days for concrete customers, or observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL represent financial liabilities held for trading.

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

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

Hedge accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

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

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

Provision for environmental restoration

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at 31 December 2014, 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 2014, the carrying amounts of trade and other receivables and long term receivables are RMB2,732,883,000 (2013: RMB2,437,697,000) (net of allowance for doubtful debts of RMB103,488,000 (2013: RMB71,514,000)) and RMB42,953,000 (2013: RMB64,622,000), respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is RMB693,000,000 (2013: RMB138,759,000). No impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in note 20.

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

Property, plant, and equipment are stated in the statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant, and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2014 and 2013, the carrying value of property, plant and equipment of the Group is approximately RMB11,364,794,000 and RMB10,313,948,000 respectively.

Fair value of derivative financial instruments

As described in note 28, the Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. As at 31 December 2014 and 2013, the fair value of derivative financial liabilities is approximately RMB2,876,000 and RMB6,300,000 respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt that includes the borrowings disclosed in note 31, net of bank balances and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,581,607	4,895,656
Available-for-sales investments	–	99,690
Financial liabilities		
Amortised cost	9,617,499	7,528,991
Derivative instruments in designated hedge accounting relationship	2,876	6,300

b. Financial risk management objectives and policies

The Group's major financial instruments include long term receivables, trade and other receivables, trade and other payables, amount due from an associate, amounts due to joint ventures, loan to a related company, borrowings, restricted bank deposits, derivative instruments in designated hedge accounting relationship, available-for-sales investments and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (interest rate risk and currency risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group is exposed to the concentration of credit risk in relation to a loan to a related company (note 27c) and long term receivables from certain PRC local governments (note 33). 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.

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

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

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 33), fixed-rate borrowings (note 31) and restricted bank deposits (note 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank deposits (note 29) and variable-rate borrowings (note 31).

The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into a US$35,000,000 (2013: US$45,000,000) USD interest rate swap contract to partially hedge against its exposures to change in interest rate of a USD denominated bank borrowing. The interest rate swap is designated as effective hedging instrument and hedge accounting is used.

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

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

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances deposited in reputable banks in PRC after excluding the borrowing which is hedged by the USD interest rate swap. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis-point (2013: 100 basis-point) and a 30 basis-point (2013: 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 (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2014 would decrease/increase by approximately RMB75,720,000 (2013: RMB55,825,000). 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 (2013: 30 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2014 would increase/decrease by approximately RMB3,522,000 (2013: RMB4,396,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

6. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) *Interest rate risk (continued)*

Bank balances (continued)

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

(ii) *Currency risk*

Certain bank deposits (note 29) and bank borrowings (note 31) of the Group are denominated in USD, Hong Kong dollars ("HKD"), Euros and Singapore dollars ("SGD"), being currencies other than the functional currency of the relevant Group entities, which expose the Group to foreign currency risk.

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2013: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

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

	Impact of US dollars		Impact of Hong Kong dollars		Impact of Euros		Impact of SGD	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit	**731,407**	494,067	**(333)**	(182)	**–**	290	**(123)**	(125)

Liquidity risk

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

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

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 31.12.2014 RMB'000
2014							
Trade and other payables	–	992,144	–	–	–	992,144	992,144
Amounts due to a joint venture	–	6,668	–	–	–	6,668	6,668
Variable interest rate borrowings	2.03%	926,092	3,774,793	1,680,038	2,516,556	8,897,479	8,618,687
		1,924,904	3,774,793	1,680,038	2,516,556	9,896,291	9,617,499

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

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

6. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Interest rate swaps classified as derivative liabilities in the statement of financial position	**Liabilities (designated for hedging) – RMB2,876,000**	Liabilities (designated for hedging) – RMB6,300,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Listed available-for-sale investments	**–**	Listed debt securities issued by listed companies in Hong Kong, South Korea and France – RMB99,690,000	Level 2	Determined by the reference prices provided by counterparty financial institutions. The reference prices take into account recent transaction prices for these debt securities.

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

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

7. REVENUE

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

	2014 RMB'000	2013 RMB'000
Sales of cement products and related products	7,324,517	6,705,547
Sales of concrete	869,199	625,271
	8,193,716	7,330,818

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 2014

	Cement business RMB'000	Concrete business RMB'000	Total RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue					
External sales	7,324,517	869,199	8,193,716	–	8,193,716
Inter-segment sales	155,816	4	155,820	(155,820)	–
Total	7,480,333	869,203	8,349,536	(155,820)	8,193,716
Segment result	1,351,576	31,354	1,382,930	(70,398)	1,312,532
Unallocated income					27,787
Central administration costs, directors' salaries and other unallocated expense					(65,436)
Share of profit of joint ventures					4,183
Share of profit of a associate					193
Finance costs					(188,151)
Profit before tax					1,091,108

8. SEGMENT INFORMATION (continued)

For the year ended 31 December 2013

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit of a joint venture and associates 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
2014				
Amounts included in the measure of segment profit or loss:				
Interest income on bank deposits	(34,329)	(330)	(11,011)	(46,197)
Government grants	(74,471)	(499)	(1,306)	(76,256)
Depreciation and amortisation	941,114	27,068	9,900	978,082
Loss on disposal/write-off of property, plant and equipment	892	454	–	1,346
Allowance for (reversal of) doubtful debts, net	9,988	22,160	(174)	31,974
Amounts that regularly provided to CODM:				
Additions to non-current assets *(note)*	681,023	19,101	9,791	709,915

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

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

Geographical Information

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

Information about major customers

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

9. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Government grant income *(note 43)*	**76,256**	62,514
Transportation fee income	**9,612**	10,524
Sales of scrap materials	**13,534**	9,027
Interest income on bank deposits	**46,197**	60,171
Interest income on held-to-maturity investments	**2,654**	7,570
Rental income, net of outgoings *(note)*	**7,440**	4,740
Others	**5,737**	7,406
	161,430	161,952

Note: The direct operating expenses incurred for generating rental income amount to approximately RMB5,554,000 (2013: RMB2,956,000).

10. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Exchange (loss) gains, net	**(10,441)**	124,108
Allowance for doubtful debts, net	**(31,974)**	(6,567)
Loss on disposal/write-off of property, plant and equipment	**(1,346)**	(648)
Gain on disposal of held-to-maturity investments	**–**	340
Loss on changes in fair values of held-for-trading investments	**–**	(3,245)
	(43,761)	113,988

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interests on:		
– Bank borrowings wholly repayable within five years	**195,249**	174,793
– Others	**–**	4,386
Total borrowing costs	**195,249**	179,179
Less: Interests capitalised	**(7,098)**	(21,181)
	188,151	157,998

Borrowing costs capitalised during the year ended 31 December 2014 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 1.54% (2013: 2.29%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
The tax expense comprises:		
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**283,278**	266,731
Withholding tax paid	**5,314**	1,235
(Over)underprovision in prior years	**(5,337)**	409
Deferred tax *(note 32)*	**(5,127)**	(5,655)
	278,128	262,720

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

During the current year, the relevant tax rates for the PRC subsidiaries of the Group ranged from 15% to 25% (2013: ranged from 15% to 25%).

Pursuant to "The Notice of Implement of Transitional Preferential Corporate Income Tax Policy issued by State Council" ("Guo Shui [2013] no.490"), Sichuan Yadong Cement Co., Ltd. ("Sichuan Yadong") and Sichuan Lanfeng Cement Co., Ltd. ("Sichuan Lanfeng") were granted a tax concession to pay corporate income tax at a preferential rate of 15% in 2014. The tax rate of Sichuan Yadong is 15% in 2013.

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

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

12. INCOME TAX EXPENSE (continued)

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**1,091,108**	1,109,024
Tax at the PRC EIT rate of 25% (2013: 25%)	**272,777**	277,256
Tax effect of expenses not deductible for tax purposes	**8,970**	7,351
Tax effect of different tax rates of subsidiaries	**21,214**	2,876
Tax effect of share of profit of joint venture	**(1,046)**	(900)
Tax effect of share of profit of associate	**(48)**	(485)
Effect of tax concessions granted to PRC subsidiaries	**(33,295)**	(34,016)
(Over)underprovision in prior years	**(5,337)**	409
Tax effect of tax loss not recognised	**9,285**	5,525
Deferred tax on undistributed earnings of PRC subsidiaries	**5,608**	4,704
Income tax expense for the year	**278,128**	262,720

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 32.

13. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation and amortisation		
– Property, plant and equipment	**934,710**	716,518
– Prepaid lease payments	**19,295**	17,389
– Quarry	**18,622**	13,297
– Other intangible assets	**5,455**	5,043
	978,082	752,247
Auditors' remuneration	**4,845**	4,830
Staff costs, including directors' remuneration *(note 14(a))*		
Salaries and other benefits	**362,953**	314,463
Retirement benefits scheme contributions	**25,567**	22,344
Total staff costs	**388,520**	336,807
Cost of inventories recognised as expenses	**6,282,321**	5,714,167
Rental payments under operating leases	**41,283**	21,801

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2013: ten) directors were as follows:

Year ended 31 December 2014

	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	306	117	–	–	423
M. Hsu, Shu-ping	190	–	–	–	190
Mr. Chang, Tsai-hsiung	329	564	–	–	893
Madam Chiang, Shao Ruey-huey	348	48	–	–	396
Mr. Chang, Chen-kuen	311	473	–	–	784
Mr. Lin, Seng-chang	276	535	–	–	811
Mr. Wu, Chung-lih	323	1,366	–	–	1,689
Mr. Liu, Zhen-tao	240	–	–	–	240
Mr. Lei, Qian-zhi	180	–	–	–	180
Mr. Tsim, Tak-lung Dominic	240	–	–	–	240
Mr. Wong, Ying-ho Kennedy	240	–	–	–	240
	2,983	3,103	–	–	6,086

Year ended 31 December 2013

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

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2013: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining four (2013: two) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	4,669	2,400
Share-based payments	–	3
	4,669	2,403

Their emoluments were within the following bands:

	2014	2013
HK$1,000,001 – HK$1,500,000	2	1
HK$1,500,001 – HK$2,000,000	2	1

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

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividend recognised as distributions during the year:		
2013 Final, paid – RMB15 cents (2013: 2012 final dividend RMB10 cents) per share	233,438	155,625

A final dividend for the year ended 31 December 2014 of RMB15 cents per share (2013: RMB15 cents per share) amounting to approximately RMB235,027,650 (2013: RMB233,437,500) 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:

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to owners of the Company)	790,313	823,010
Earnings for the purposes of diluted earnings per share (Profit for the year attributable to owners of the Company)	790,313	823,010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,559,648	1,556,250
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	1,816	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,561,464	1,556,250

The share options had anti-dilutive effect on the earnings per share for the year ended 31 December 2013 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 2013	2,781,449	9,088,275	320,037	422,506	1,443	481,619	13,095,329
Additions	1,448	23,960	2,881	7,645	603	1,635,307	1,671,844
Disposals/write-off	(2,697)	(19,928)	(4,143)	(21,470)	–	–	(48,238)
Transfer	328,210	680,080	16,335	96,543	–	(1,121,168)	–
At 31 December 2013	3,108,410	9,772,387	335,110	505,224	2,046	995,758	14,718,935
Additions	32,051	97,871	1,894	14,084	–	559,550	705,450
Acquired on acquisition of a subsidiary *(note 37)*	580,968	691,575	2,108	4,431	–	9,094	1,288,176
Disposals/write-off	(2,258)	(2,011)	(2,997)	(32,455)	–	(1,863)	(41,584)
Transfer	370,095	768,590	12,141	12,103	25,397	(1,188,326)	–
At 31 December 2014	**4,089,266**	**11,328,412**	**348,256**	**503,387**	**27,443**	**374,213**	**16,670,977**
ACCUMULATED DEPRECIATION							
At 1 January 2013	430,531	2,830,761	219,600	233,588	483	–	3,714,963
Provided for the year	85,178	564,110	23,647	43,398	185	–	716,518
Eliminated on disposals/write-off	(290)	(4,776)	(3,788)	(17,640)	–	–	(26,494)
At 31 December 2013	515,419	3,390,095	239,459	259,346	668	–	4,404,987
Provided for the year	124,834	744,008	24,789	41,071	8	–	934,710
Eliminated on disposals/write-off	(632)	(1,562)	(2,439)	(28,881)	–	–	(33,514)
At 31 December 2014	**639,621**	**4,132,541**	**261,809**	**271,536**	**676**	**–**	**5,306,183**
CARRYING VALUES							
At 31 December 2014	**3,449,645**	**7,195,871**	**86,447**	**231,851**	**26,767**	**374,213**	**11,364,794**
At 31 December 2013	2,592,991	6,382,292	95,651	245,878	1,378	995,758	10,313,948

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

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

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

18. QUARRY

	RMB'000
COST	
At 1 January 2013	279,684
Additions	743
At 31 December 2013	280,427
Additions	477
Acquired on acquisition of a subsidiary *(note 37)*	81,908
At 31 December 2014	**362,812**
AMORTISATION	
At 1 January 2013	64,775
Provided for the year	13,297
At 31 December 2013	78,072
Provided for the year	18,622
At 31 December 2014	**96,694**
CARRYING VALUES	
At 31 December 2014	**266,118**
At 31 December 2013	202,355

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:

	2014 RMB'000	2013 RMB'000
Non-current assets	**663,148**	584,415
Current assets	**18,118**	17,764
	681,266	602,179

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 2014, the Group has not yet obtained the land use right certificates in respect of prepaid lease payments with the aggregate carrying value of approximately RMB188,765,000 (2013: approximately RMB189,709,000). The Group is currently in the process of obtaining these land use right certificates.

20. GOODWILL

	2014 RMB'000	2013 RMB'000
Balance at beginning of year	**138,759**	138,759
Additional amounts recognised from business combinations occurring during this year *(note 37)*	**554,241**	–
Balance at end of year	**693,000**	138,759

For the purpose of impairment testing, goodwill has been allocated to individual subsidiaries, each of which constitute a cash generating unit ("CGU"). The carrying amounts of goodwill allocated to these CGUs are as follows:

	2014 RMB'000	2013 RMB'000
Wuhan Yaxin Cement Co., Ltd. (Wuhan Yaxin)	**138,759**	138,759
Sichuan Lanfeng Cement Co., Ltd. (Sichuan Lanfeng)	**554,241**	–
	693,000	138,759

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

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

The recoverable amount of these CGU has been determined based on a value in use calculation.

The calculation of Wuhan Yaxin uses cash flow projections based on financial budgets approved by management covering a 5 year period (2013: 5-year period) and discount rate of 10.46% per annum as at 31 December 2014 (2013: 10.48%). Cash flows beyond the 5-year period (2013: 5-year period) are extrapolated using a steady 3.3% (2013: 2.6%) per annum growth rate. This growth rate is based on the cement industry growth forecasts and does not exceed the average long-term growth rate for the cement industry.

The calculation of Sichuan Lanfeng uses cash flow projections based on financial budgets approved by management covering a 5 year period and discount rate of 10.78% per annum as at 31 December 2014. Cash flows beyond the 5-year period are extrapolated using a steady 2.8% 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 CGU's past performance and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of CGU to exceed the recoverable amount of CGU.

21. OTHER INTANGIBLE ASSETS

	Backlog orders RMB'000	Customer relationships RMB'000	Software RMB'000	Total RMB'000
COST				
At 1 January 2013	779	18,310	8,993	28,082
Additions	–	–	788	788
At 31 December 2013 and 1 January 2014	779	18,310	9,781	28,870
Additions	–	–	1,906	1,906
Acquired on acquisition of a subsidiary *(note 37)*	–	1,469	908	2,377
At 31 December 2014	**779**	**19,779**	**12,595**	**33,153**
ACCUMULATED AMORTISATION				
At 1 January 2013	779	9,155	4,167	14,101
Provided for the year	–	3,662	1,381	5,043
At 31 December 2013 and 1 January 2014	779	12,817	5,548	19,144
Provided for the year	–	3,858	1,597	5,455
At 31 December 2014	**779**	**16,675**	**7,145**	**24,599**
CARRYING VALUES				
At 31 December 2014	**–**	**3,104**	**5,450**	**8,554**
At 31 December 2013	–	5,493	4,233	9,726

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

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

22. INTEREST IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Cost of unlisted investment in a joint venture	59,059	17,750
Share of post-acquisition profits and other comprehensive income, net of dividends received	16,554	13,941
	75,613	31,691

At 31 December 2014 and 2013, the Group had interests in the following unlisted joint venture:

Name of joint venture	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group 2014	2013	Proportion of voting rights held by the Group 2014	2013	Principal activities
武漢長亞航運有限公司 Wuhan Asia Marine Transport Corporation Ltd. ("Wuhan Asia")	Sino-foreign equity joint venture	PRC	Paid up registered capital	50%	50%	50%	50%	Provision of transportation services
湖北鑫龍源礦業有限公司 Hubei Xinlongyuan Mining Company Limited ("Hubei Xinlongyuan")	Foreign-interest enterprise	PRC	Ordinary	40%	–	40%	–	Production and sales of limestone

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

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

Wuhan Asia

	2014 RMB'000	2013 RMB'000
Current assets	38,482	30,648
Non-current assets	69,892	65,962
Current liabilities	(28,941)	(23,228)
Non-current liabilities	(10,000)	(10,000)

22. INTEREST IN JOINT VENTURES (continued)

Wuhan Asia (continued)

The above amounts of assets and liabilities include the following:

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	12,437	11,127
Current financial liabilities (excluding trade and other payables and provisions)	(16,970)	(15,600)
Non-current financial liabilities (excluding Trade and other payables and provision)	(10,000)	(10,000)
Revenue	104,023	81,517
Profit and total comprehensive income for the year	9,191	7,200
Dividends received from the joint venture during the year	1,570	800
The above profit for the year include the following: Depreciation and amortisation	5,176	5,000
Interest income	155	80
Interest expense	1,779	1,236
Income tax expense	3,211	2,186

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

	2014 RMB'000	2013 RMB'000
Net assets of the joint venture	69,433	63,382
Proportion of the Group's ownership interest in the Wuhan Asia	50%	50%
Carrying amount of the Group's interest in the Wuhan Asia	34,717	31,691

22. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan

	RMB'000
Current assets	3,670
Non-current assets	25,493
Current liabilities	(8,410)

The above amounts of assets and liabilities include the following:

	RMB'000
Cash and cash equivalents	78
Current financial liabilities (excluding trade and other payables and provisions)	(8,410)
Revenue	–
Loss and total comprehensive expense for the year	(1,033)
Dividends received from the joint venture during the year	–
The above profit for the year include the following: Depreciation and amortisation	–
Interest income	–
Interest expense	–
Income tax expense	–

22. INTEREST IN JOINT VENTURES (continued)

Huibei Xinlongyuan (continued)

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

	RMB'000
Net assets of the joint venture	20,753
Proportion of the Group's ownership interest in Hubei Xinlongyuan	40%
Goodwill *(note)*	32,595
	40,896

Note: *On 4 September 2014, the Group entered into an agreement to acquire 40% equity interest of Hubei Xinlongyuan Mining Company Limited at a consideration of RMB$40,037,701. The acquisition was completed in September 2014. The initial accounting for the acquisition has been determined provisionally for property, plant and equipment and intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair value.*

23. INTEREST IN AN ASSOCIATE

	2014 RMB'000	2013 RMB'000
Cost of unlisted investment in an associate	**12,000**	12,000
Share of post-acquisition profits and other comprehensive income	**5,113**	4,920
	17,113	16,920

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

Name of associate	Form of entity	Country of incorporation/ principal place of operation	Class of capital held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
				2014	2013	**2014**	2013	
湖北中建亞東混凝土有限公司 Hubei Zhongjian Yadong Concrete Company Limited ("Hubei Zhongjian")	Foreign-interest enterprise	PRC	Paid up registered capital	**40%**	40%	**40%**	40%	Production and sales of concrete

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

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

23. INTEREST AN ASSOCIATE (continued)

Hubei Zhongjian

	2014 RMB'000	2013 RMB'000
Current assets	53,824	61,818
Non-current assets	5,779	8,429
Current liabilities	(16,821)	(27,947)
Non-current liabilities	–	–
Revenue	69,297	97,870
Profit and total comprehensive income for the year	483	4,845
Dividends received from associate during the year	–	–

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

	2014 RMB'000	2013 RMB'000
Net assets of the associate	42,782	42,300
Proportion of the Group's ownership interest in Hubei Zhongjian	40%	40%
Carrying amount of the Group's interest in Hubei Zhongjian	17,113	16,920

24. INVENTORIES

	2014 RMB'000	2013 RMB'000
Spare parts and ancillary materials	378,618	332,438
Raw materials	385,348	282,109
Work in progress	123,388	55,851
Finished goods	78,981	43,864
	966,335	714,262

25. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	1,502,968	1,205,417
Less: allowance for doubtful debts	(101,156)	(69,182)
	1,401,812	1,136,235
Bills receivable	1,284,071	1,257,244
	2,685,883	2,393,479
Other receivables	49,332	46,550
Less: allowance for doubtful debts	(2,332)	(2,332)
	47,000	44,218
	2,732,883	2,437,697
Advances to suppliers	176,156	197,988
Deposits	12,389	10,489
Prepayments	12,313	8,949
Value-added tax recoverable	106,101	66,994
	3,039,842	2,722,117

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

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

	Cements		Concrete		Total	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
0–90 days	520,293	506,496	228,882	216,673	749,175	723,169
91–180 days	167,207	121,988	182,215	111,346	349,422	233,334
181–365 days	59,273	–	196,944	131,276	256,217	131,276
Over 365 days	9,397	–	37,601	48,456	46,998	48,456
	756,170	628,484	645,642	507,751	1,401,812	1,136,235

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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
0–90 days	917,048	940,073	13,579	63,696	930,627	1,003,769
91–180 days	349,294	237,191	3,200	12,484	352,494	249,675
181–365 days	950	3,800	–	–	950	3,800
	1,267,292	1,181,064	16,779	76,180	1,284,071	1,257,244

25. TRADE AND OTHER RECEIVABLES (continued)

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 93% (2013: 90%) of the trade receivables as at 31 December 2014 are neither past due nor impaired. These receivables comprise principally receivables from customers with good credit quality by reference to their past repayment records.

Included in the Group's trade receivables balances are debtors with the aggregate carrying amount of approximately RMB76,138,000 (2013: approximately RMB121,988,000) and RMB37,601,000 (2013: RMB48,456,000) fore cement and concrete segment respectively, which have been past due as at year end for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

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

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

	Cements		Concrete		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Overdue by:						
1–90 days	**76,138**	121,988	**37,601**	48,456	**113,739**	170,444

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

	Other receivables		Trade receivables	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance at beginning of year	**2,332**	2,332	**69,182**	62,889
Additions	**–**	–	**41,268**	21,338
Reversal	**–**	–	**–**	(14,771)
Written off	**–**	–	**(9,294)**	(274)
	2,332	2,332	**101,156**	69,182

26. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2014	2013
	RMB'000	RMB'000
Listed debt securities	**–**	99,690

The Group's available-for-sale investments represented the listed debt securities and the amount was measured at fair values, which is determined by the reference prices provided by counterparty financial institution. The reference prices take into account recent transaction prices for these debt securities. During the year ended 31 December 2014, the Group disposed the entire available-for-sale investments.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

(a) Amount due from an associate

	2014 RMB'000	2013 RMB'000
Hubei Zhongjian (trade related)	–	5,297

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

(b) Amounts due to a joint venture

	2014 RMB'000	2013 RMB'000
Wuhan Asia (trade related)	6,668	6,865

The amount as at 31 December 2014 were unsecured, non-interest bearing and aged within the credit term of 30 days.

(c) Loan to related companies

	2014 RMB'000	2013 RMB'000
Far Eastern New Century (China) Investment Limited ("FENC")	396,633	391,421
Yuan Ding Enterprise (Shanghai) Limited ("Yuan Ding")	40,367	–
	437,000	391,421

Pursuant to the loan agreements, the Company agreed to make available an aggregate principal sum of US$68,000,000 (the "Loans") to FENC, of which US$63,867,000 (equivalent to RMB391,421,000) have been drawn down by FENC as at 31 December 2013. FENC is a wholly-owned subsidiary of Far Eastern New Century Corporation ("FENCC") and is principally engaged in the business of investment. The Company is related to FENC as FENCC holds 28.79% equity interest in Asia Cement Corporation. According to the terms of the loan agreements, (i) the Loans principal amount shall be repaid in full on or before 16 June 2014 (the "Repayment Date"); or (ii) FENC may repay the Loans at a time later than the Repayment Date, subject to the consent from the Company; or (iii) FENC may prepay the Loans or any part of the Loans at any time before the Repayment Date. The interest rate is subject to be agreed between the Company and FENC. On 4 June 2014, FENC repaid the Loans. On 15 May 2014, the Company and FENC entered two new agreements and agreed to make available principal sums of US$30,000,000 and US$38,000,000 (the "Loans 1") to FENC, of which US$63,867,000 (equivalent to RMB396,633,000) have been drawn down by FENC as at 31 December 2014. According to the terms of the loan agreements, (i) the Loans 1 principal amount of US$30,000,000 and US$38,000,000 shall be repaid in full on or before 4 June 2015 and 2 June 2015 (the "Repayment Dates 1"), respectively; or (ii) FENC may prepay the Loans 1 or any part of the Loans 1 at any time before the Repayment Dates 1.

Pursuant to a loan agreement, the Company agreed to make available an aggregate principal sum of US$6,500,000 (the "Loan 2") to Yuan Ding, of which US$6,500,000 (equivalent to RMB40,367,000) have been drawn down by Yuan Ding as at 31 December 2014. Yuan Ding is a wholly-owned subsidiary of FENC. According to the terms of the loan agreement, (i) the Loan 2 principal amount of US$6,500,000 shall be repaid in full on or before 4 November 2015 (the "Repayment Date 2"); or (ii) Yuan Ding may repay the Loan 2 at a time later than the Repayment Date 2, subject to the consent from the Company; or (iii) Yuan Ding may prepay the Loan 2 or any part of the Loan at any time before the Repayment Date 2.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 Liabilities RMB'000	2013 Liabilities RMB'000
Derivative under hedge accounting		
USD interest rate swap		
– current	2,876	–
– non-current	–	6,300
	2,876	6,300

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 31).

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 2014 and 2013 are as follows:

Notional amount	Maturity	Swap
2014		
US$35,000,000	**20.10.2015**	**From LIBOR to 1.75% per annum**
2013		
US$45,000,000	20.10.2015	From LIBOR to 1.75% per annum

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

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

During the current year, a fair value gain of RMB3,424,000 (2013: RMB4,239,000 loss) has been recognised in other comprehensive income and accumulated in equity. It will be released to profit or loss at various dates during the life of the swap when the hedged interest expense is recognised in profit or loss.

29. 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 3.82% (2013: 0.01% to 3.85%) per annum.

The bank balances (including restricted bank deposits) with fixed and floating interest rates amount to approximately RMB1,339,512,000 (2013: RMB148,114,000) and approximately RMB1,028,634,000 (2013: RMB1,842,346,000), respectively.

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

Under the "Jiangxi Mine Environmental Management and Ecological Restoration Margin Interim Measures" formulated by the Jiangxi Provincial Department of Finance and the Provincial Department of Provincial Environmental Protection Bureau, the Group is requested by the PRC authorities to make deposit, which are restricted for withdrawal, as guarantee money to PRC authorities for carrying out mine environmental management and ecological restoration work. As at 31 December 2014, RMB25,840,000 (2013: RMB25,840,000) in its own bank account has been restricted for this purpose. No further notice for additional deposit was received from the relevant PRC authority during the year. These restricted bank deposits will be released after the Group has completed the restoration work up to the standard accepted by the Ministry of Land and Resources of the People's Republic of China. The Directors expect the restoration work to be carried out and completed after the expiries of the respective mining rights, ranging from years of 2016 to 2038. Thus the above restricted bank deposits are classified as non-current assets.

As at 31 December 2014, the remaining deposits in its own bank account amounting to RMB18,347,000 (2013: RMB3,258,000) 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:

	2014 RMB'000	2013 RMB'000
Denominated in USD	1,369,621	114,343
Denominated in HKD	23,625	1,817
Denominated in SGD	511	1,524

30. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	525,649	365,237
Bills payable	–	12,477
	525,649	377,714
Accruals	85,970	91,368
Advances from customers	98,206	85,479
Staff wages and welfare payable	69,420	56,698
Value added tax payable	25,379	40,893
Construction cost payable	62,890	59,133
Other tax payable	111,908	21,535
Due to original holders of Sichuan Lanfeng	46,301	–
Consideration payable for acquisition of a subsidiary *(note 37)*	90,690	–
Other payables	85,286	50,599
	1,201,699	783,419

30. TRADE AND OTHER PAYABLES (continued)

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

	2014 RMB'000	2013 RMB'000
0–90 days	455,247	326,179
91–180 days	35,124	32,265
181–365 days	27,713	12,041
Over 365 days	7,565	7,229
	525,649	377,714

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.

31. BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank borrowings – unsecured	8,618,687	6,370,447
Fixed rate notes – unsecured *(note)*	–	586,000
	8,618,687	6,956,447

Note:

In September 2011, the Company issued fixed rate unsecured notes in an aggregate principal amount of RMB586,000,000. The unsecured notes bore fixed interest at 2.95% per annum and fully repaid in September 2014. The fixed rate notes were 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:

	2014 RMB'000	2013 RMB'000
Denominated in USD	7,743,184	5,281,479
Denominated in HKD	–	3,873

31. BORROWINGS (continued)

The borrowings are repayable as follows:

	2014 RMB'000	2013 RMB'000
Within one year	4,804,222	3,473,494
In the second year	1,447,782	2,566,924
In the third year	145,486	256,937
In the fourth year	385,497	18,917
In the fifth year	1,835,700	640,175
	8,618,687	6,956,447
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(4,804,222)	(3,473,494)
Amounts due for settlement after 12 months	3,814,465	3,482,953

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:

	2014		2013	
	Carrying amount RMB'000	Interest rates	Carrying amount RMB'000	Interest rates
Fixed-rate borrowings	–	N/A	586,000	2.95%
Variable-rate borrowings	8,618,687	90% to 100% of Bechmark Rate or LIBOR plus margin of 0.5% to 3.5%	6,370,447	90% to 100% of Bechmark Rate or LIBOR plus margin of 0.1% to 2.6%
	8,618,687		6,956,447	

The interest rate which is also equal to the contracted interest rate in the Group's variable-rate bank borrowings ranges from 0.79% to 6.00% (2013: 0.80% to 5.90%) per annum. Interest is repriced quarterly.

32. DEFERRED TAX

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

	Fair values adjustment on assets acquired in business acquisition RMB'000	Interest capitalised as part of property, plant and equipment RMB'000	Impairment of trade and other receivables RMB'000	Tax loss RMB'000	Pre-operating expenses RMB'000	Undistributed earnings of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	(12,167)	(3,232)	15,981	3,903	25	(3,811)	1,969	2,668
Withholding tax paid	–	–	–	–	–	1,235	–	1,235
Credit (charge) to profit or loss	1,225	221	1,537	(610)	(25)	(4,704)	6,776	4,420
At 31 December 2013	(10,942)	(3,011)	17,518	3,293	–	(7,280)	8,745	8,323
Acquired on acquisition of a subsidiary *(note 37)*	(11,523)	–	–	–	–	–	–	(11,523)
Withholding tax paid	–	–	–	–	–	5,314	–	5,314
Credit (charge) to profit or loss	2,786	220	882	1,395	–	(5,608)	138	(187)
At 31 December 2014	**(19,679)**	**(2,791)**	**18,400**	**4,688**	**–**	**(7,574)**	**8,883**	**1,927**

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

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**29,766**	27,015
Deferred tax liabilities	**(27,839)**	(18,692)
	1,927	8,323

At 31 December 2014, the Group has unused tax losses of approximately RMB83,786,000 (2013: RMB35,274,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB18,753,000 (2013: RMB13,173,000) of such losses. No deferred tax asset has been recognised in respect of remaining approximately RMB65,010,000 (2013: RMB22,101,000) due to the unpredictability of future profit stream. As at 31 December 2014, the tax losses of RMB4,269,000, RMB3,194,000, RMB5,710,000 and RMB22,101,000 and RMB48,512,000 will expire in 2015, 2016, 2017, 2018 and 2019, respectively.

32. DEFERRED TAX (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by Group's PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2014, deferred tax liability has been provided in respect of RMB171,182,000 (2013: RMB164,038,000) undistributed earnings of the Group's PRC subsidiaries. Deferred tax has not been provided in respect of the remaining temporary differences attributable to the undistributed earnings as the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred tax in respect of the undistributed earnings of the Group's associate and joint venture in the PRC have not been provided as the amount involved is not significant.

As at 31 December 2014, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries, joint venture and associate in respect of which deferred tax liability has not been provided for were approximately RMB4,234,920,000 (2013: RMB3,550,193,000), RMB23,040,000 (2013: RMB16,989,000) and RMB11,504,000 (2013: RMB11,071,000), respectively.

33. LONG TERM RECEIVABLES

	2014 **RMB'000**	2013 RMB'000
Receivables from		
武漢市新洲區人民政府 (the "Wuhan City Government") *(note a)*	**12,380**	18,380
彭州市人民政府 (the "Pengzhou City Government") *(note b)*	**30,573**	46,242
	42,953	64,622
Less: Amounts due within one year	**(20,573)**	(28,697)
Amounts due after one year	**22,380**	35,925

Notes:

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

During the current year, RMB2 million was settled (2013: RMB2 million). As at 31 December 2014, the outstanding balance is RMB2 million (2013: RMB4 million).

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

During the current year, RMB2 million was received in cash (2013: RMB6 million). As at 31 December 2014, the outstanding balance is approximately RMB6.4 million (2013: RMB8.4 million).

Upon completion of the global offering of the Company's shares in May 2008, Asia Cement has provided an indemnity in respect of any loss on the advances to the Wuhan City Government, which cannot be recovered by Hubei Yadong in accordance with the expected time as per above. As at 31 December 2014, the indemnity in respect of the above advances undertaken by Asia Cement is approximately RMB3.5 million (2013: RMB5.5 million).

33. LONG TERM RECEIVABLES (continued)

Notes: (continued)

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

During the current year, the first instalment of RMB2 million was received in cash. As at 31 December 2014, the outstanding balance is RMB4 million (2013: RMB6 million).

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

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

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

During the current year, RMB4 million (2013: nil) was received in cash and RMB11 million (2013: nil) was received through offsetting a payable to Pengzhou City Government regarding the removing and re-location of long-distance conveyor construction. As at 31 December 2014, the outstanding balance is RMB30 million (2013: RMB45 million).

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

During the current year, RMB0.67 million repayment in form of cash was received (2013: RMB5 million). As at 31 December 2014, the outstanding balance is approximately RMB0.57 million (2013: RMB1.24 million).

34. LONG TERM PREPAID RENTAL

	2014 RMB'000	2013 RMB'000
Prepaid rental to Yangzhou No. 2 Power Plant Company Limited (the " Yangzhou No. 2 Power Plant") *(note a)*	**9,164**	11,769
Taizhou Yongan Port Co., Ltd. *(note b)*	**30,000**	17,000
	39,164	28,769
Less: Amounts due within one year (included in Trade and other receivables)	**(7,300)**	(3,675)
Amounts due after one year	**31,864**	25,094

Notes:

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

   During the current year, RMB2.605 million (2013: RMB2.472 million) has been utilised through offsetting the rental expenses and the outstanding prepaid balance as at 31 December 2014 is RMB9.2 million (2013: RMB11.7 million).

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

   As at 31 December 2014, the outstanding prepaid balance is RMB30 million (2013: RMB17 million).

35. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration RMB'000
Balance at 1 January 2014	9,052
Provision for the year	4,160
Balance at 31 December 2014	**13,212**

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

36. 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 2013, 31 December 2013, 1 January 2014 and 31 December 2014	10,000,000,000	1,000,000	
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 1 January 2014	1,556,250,000	155,625	139,549
Exercise of share option under the Pre-IPO Share Option Scheme *(note 40)*	10,601,000	1,060	841
At 31 December 2014	**1,566,851,000**	**156,685**	**140,390**

37. ACQUISITION OF A SUBSIDIARY

On 16 April 2014, the Group entered into an agreement to acquire 100% equity interest of Sichuan Lanfeng Cement Co., Ltd. at a consideration of RMB968,148,000. The acquisition was completed in July 2014.

a. Subsidiary acquired

	Principal activity	Proportion of voting equity interests Acquired (%)	Consideration Transferred RMB'000
Sichuan Lanfeng Cement Co., Ltd.	Manufacture of cement	100%	968,148

37. ACQUISITION OF A SUBSIDIARY (continued)

b. Assets acquired and liabilities assumed at the date of acquisition

	RMB'000
Current assets	
Cash and cash equivalents	270,624
Trade and other receivables	164,435
Inventories	89,393
Non-current assets	
Plant and equipment	1,288,176
Deferred tax assets	443
Other intangible assets	2,377
Prepaid lease payment	96,300
Quarry	81,908
Current liabilities	
Trade and other payables	(1,164,889)
Borrowings – due within one year	(203,790)
Tax payables	(9,104)
Non-current liabilities	
Borrowings – due after one year	(190,000)
Deferred tax liabilities	(11,966)
	413,907

c. Goodwill arising on acquisition

	RMB'000
Consideration transferred	968,148
Less: Fair value of identifiable net assets acquired	(413,907)
Goodwill arising on acquisition	554,241

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Sichuan Lanfeng. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Net cash outflow on acquisition of subsidiaries

	2014 RMB'000
Consideration transferred	**968,148**
Less: Cash and cash equivalent balances acquired	**(270,624)**
	697,524
Less: Unpaid consideration *(note 30)*	**(90,690)**
Consideration paid in cash	**606,834**

37. ACQUISITION OF A SUBSIDIARY (continued)

e. Impact of acquisitions on the results of the Group

Included in the profit for the year is RMB87 million attributable to the additional business generated by Sichuan Lanfeng. Revenue for the year includes RMB543 million in respect of Sichuan Lanfeng.

Had these business combinations been completed on 1 January 2014, the Group's revenue from continuing operations would have been RMB807 million, and the profit from continuing operations would have been RMB91 million for the year ended 31 December 2014. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January, 2014, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had Sichuan Lanfeng been acquired at the beginning of the current reporting period, the management have:

1) calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

2) calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

38. OPERATING LEASES

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid/payable under operating leases during the year	35,983	11,307
Contingent rents paid/payable under operating leases during the year *(note)*	5,300	10,494
	41,283	21,801

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

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

	2014 RMB'000	2013 RMB'000
Within one year	39,014	12,094
In the second to fifth years inclusive	82,429	79,139
After five years	696,827	706,239
	818,270	797,472

38. OPERATING LEASES (continued)

The Group as lessee (continued)

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

The Group as lessor

Rental income earned was RMB7,440,000 and RMB4,740,000 for the years ended 31 December 2014 and 2013, respectively. The Group leases its plant and machinery under operating lease arrangements.

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

	2014 **RMB'000**	2013 RMB'000
Within one year	**4,391**	4,391
In the second to fifth year inclusive	**8,163**	12,554
	12,554	16,945

39. CAPITAL COMMITMENTS

	2014 **RMB'000**	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
Property, plant and equipment	**182,658**	627,523
Land use rights	**70,259**	4,322
Capital expenditure in respect of establishment of a joint venture *(note)*	**500,000**	500,000
	752,917	1,131,845

Note:

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

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 RMB23,549,000). For the years ended 31 December 2014 and 2013, 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 the movement during the year ended 31 December 2014 are as follows:

Name	Date of Grant	Options outstanding at 1 January 2014	Granted during the year	Options exercised during the year	Option lapsed on expiry	Options cancelled	Option outstanding at 31 December 2014
Directors							
Mr. Hsu, Shu-ping	17 April 2008	200,000	–	200,000	–	–	–
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	5,278,000	–	4,301,000	–	977,000	–
		11,578,000	–	10,601,000	–	977,000	–

10,601,000 shares of option were exercised and 977,000 shares of option were expired during the year ended 31 December 2014. At 31 December 2014, no option remained outstanding.

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

The Group recognised the total expense of approximately RMB124,000 (2014: Nil) for the year ended 31 December 2013 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.

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 2014 and 2013, 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 profit or loss of approximately RMB25,567,000 (2013: approximately RMB22,344,000) represents contribution paid/payable to the schemes by the Group in respect of the current accounting period. As at 31 December 2014, contributions of RMB972,000 (2013: RMB980,000) as at 31 December 2014 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 note 27, the Group had also entered into the following significant transactions with related parties during the year.

	2014 **RMB'000**	2013 RMB'000
Joint venture:		
Wuhan Asia		
– Transportation expenses	**101,047**	80,981
Associate:		
Hubei Zhongjian		
– Sales of goods	**11,110**	15,473

42. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and chief executives was as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	6,086	7,015
Share-based payments	–	–
Retirement benefits scheme contributions	–	–
	6,086	7,015

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

43. GOVERNMENT GRANT INCOME

	2014 RMB'000	2013 RMB'000
Incentive subsidies *(note a)*	39,157	17,328
Value-added tax refund *(note b)*	34,040	44,933
Others *(note c)*	3,059	253
	76,256	62,514

Notes:

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

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

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

44. SUBSIDIARIES

(a) General Information of subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2014	2013	Proportion of voting power held by the company 2014	2013	Principal activities
*Perfect Industrial Holdings Pte., Ltd.	British Virgin Islands	Ordinary	US$8,395,178	100%	100%	100%	100%	Investment holding
Oriental Industrial Holdings Pte., Ltd.	Republic of Singapore ("Singapore")	Ordinary	US$744,262,651	99.99%	99.99%	100%	100%	Investment holding
Asia Continent Investment Holdings Pte., Ltd.	Singapore	Ordinary	US$288,846,900	99.99%	99.99%	100%	100%	Investment holding
上海亞力水泥製品有限公司 Shanghai Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	US$15,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd.[1]	PRC	Ordinary	US$356,104,433	94.99%	94.99%	91%	89%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
武漢亞東水泥有限公司 Wuhan Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$36,140,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
江西亞利運輸有限公司 Jiangxi Ya Li Transport Co., Ltd.[1]	PRC	Ordinary	RMB12,500,000	97.39%	97.39%	100%	100%	Provision of transportation services
上海亞福水泥製品有限公司 Shanghai Yafu Cement Products Co., Ltd.[1]	PRC	Ordinary	RMB21,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
亞東投資有限公司 Oriental Holding Co., Ltd.[2]	PRC	Ordinary	US$110,407,000	99.99%	99.99%	100%	100%	Investment holding
南昌亞力水泥製品有限公司 Nanchang Yali Concrete Produce Ltd.[1]	PRC	Ordinary	RMB60,000,000	94.99%	94.99%	100%	100%	Manufacture and sale of concrete

44. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2014	2013	Proportion of voting power held by the company 2014	2013	Principal activities
南昌亞東水泥有限公司 Nanchang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	RMB90,000,000	72.49%	72.49%	78%	78%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞東水泥有限公司 Hubei Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$154,800,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川亞東水泥有限公司 Sichuan Yadong Cement Co., Ltd.[2]	PRC	Ordinary	US$348,340,000	99.99%	99.99%	100%	100%	Manufacture and saleof cement products, clinker, blast-furnace slag powder and related products
成都亞力水泥製品有限公司 Chengdu Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$4,100,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete products, clinker, blast-furnace slag powder and related products
黃岡亞東水泥有限公司 Huanggang Yadong Cement Co., Ltd.[1]	PRC	Ordinary	US$86,170,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
湖北亞利運輸有限公司 Hubei Ya Li Transport Co., Ltd.[2]	PRC	Ordinary	RMB13,000,000	99.99%	99.99%	100%	100%	Provision of transportation services
四川亞利運輸有限公司 Sichuan Ya Li Transportation Co., Ltd.[2]	PRC	Ordinary	US$3,500,000	99.99%	99.99%	100%	100%	Provision of transportation services
揚州亞東水泥有限公司 Yangzhou Ya Dong Cement Co., Ltd.[2]	PRC	Ordinary	US$35,530,000	99.99%	99.99%	100%	100%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

44. SUBSIDIARIES (continued)

(a) General Information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion of ownership interest held by the Company 2014	2013	Proportion of voting power held by the company 2014	2013	Principal activities
四川亞力水泥製品有限公司 Sichuan Yali Cement Products Co., Ltd.[2]	PRC	Ordinary	US$3,300,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
武漢亞力水泥製品有限公司 Wuhan Ya Li Cement Products Co., Ltd.[2]	PRC	Ordinary	RMB60,000,000	99.99%	99.99%	100%	100%	Manufacture and sale of concrete
武漢亞鑫水泥有限公司 Wuhan Yaxin Cement Co., Ltd.[3] *(note 44c)*	PRC	Ordinary	RMB90,000,000	89.99%	89.99%	83%	83%	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
泰州亞東建材有限公司 Taizhou Yadong Building Material Co.,Ltd.[2]	PRC	Ordinary	US$16,000,000	99.99%	99.99%	100%	100%	Sale and storage of cement product
四川蘭豐水泥有限公司 Sichuan Lanfeng Cement Co., Ltd.[2]	PRC	Ordinary	RMB350,000,000	99.99%	–	100%	–	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products
四川蘭豐建材有限公司 Sichuan Lanfeng Construction Material Co., Ltd[2]	PRC	Ordinary	RMB20,000,000	99.99%	–	100%	–	Manufacture and sale of cement products, clinker, blast-furnace slag powder and related products

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

Note: *During the year ended 31 December 2013, the Group acquired addition 20% equity interest from non-controlling interest shareholders by consideration of RMB98 million. Therefore, the Group's shareholding increase from 69.99% to 89.99%.*

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

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

44. SUBSIDIARIES (continued)

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

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest		Proportion of voting power		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014** **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
江西亞東水泥有限公司 Jiangxi Ya Dong Cement Corporation Ltd. *(note)*	PRC	**5.01%**	5.01%	**9%**	11%	**15,852**	15,454	**199,162**	170,776
Individually immaterial subsidiaries with non-controlling interests								**75,355**	71,698
								274,517	242,474

Note:

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

Jiangxi Ya Dong Cement Corporation Ltd.

	2014 **RMB'000**	2013 RMB'000
Current assets	**1,959,381**	1,521,465
Non-current assets	**4,323,619**	4,392,286
Current liabilities	**(2,128,101)**	(1,792,659)
Non-current liabilities	**(171,665)**	(347,741)
Equity attributable to owners of the Company	**3,784,072**	3,602,576
Non-controlling interests	**199,162**	170,775
Revenue	**3,037,764**	2,578,329
Expenses	**(2,721,363)**	(2,269,248)
Profit for the year	**316,401**	309,081
Profit attributable to owners of the Company	**300,549**	293,627
Profit attributable to the non-controlling interests	**15,852**	15,454
Profit for the year	**316,401**	309,081
Dividends paid to non-controlling interests	**6,264**	1,431
Net cash inflow from operating activities	**411,186**	598,686
Net cash outflow from investing activities	**(993,521)**	(1,223,535)
Net cash inflow (outflow) from financing activities	**23,777**	539,523
Net cash (outflow) inflow	**(558,558)**	(85,326)

44. SUBSIDIARIES (continued)

(c) Change in ownership interest in a subsidiary

During the year ended 31 December 2013, the Group acquired additional 20% of its interest in Wuhan Yaxin at a consideration of RMB98.06 million, increasing its continuing interest to 89.99%. An amount of RMB60.08 million (being the proportionate share of the carrying amount of the net assets of Wuhan Yaxin) has been transferred from non-controlling interests. The difference of RMB37.98 million between the decrease in the non-controlling interests and the consideration paid is recognised directly in equity.

45. MAJOR NON-CASH TRANSACTIONS

During the current year, long-term receivables of RMB11,000,000 due from Pengzhou City Government were offsetting through a removing and re-location of long-distance conveyor construction payable by Sichuan Yadong (note 33b(ii)).

During the year ended 31 December 2013, long-term receivables of RMB5,565,000 due from Ruichang City Government were offsetting through a citizen re-location compensation payable by Jiangxi Ya Dong.

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:

	2014	2013
	RMB'000	RMB'000
Unlisted investments in subsidiaries	**7,608,232**	6,435,406
Amounts due from subsidiaries	**2,935,089**	3,014,850
Bank balances	**877,734**	325,525
Available-for-sales investments	**–**	99,690
Other receivables	**2,093**	4,317
Total assets	**11,423,148**	9,879,788
Borrowings	**6,303,898**	3,991,032
Derivative liabilities	**2,876**	6,300
Other payables	**14,019**	603,669
Total liabilities	**6,320,793**	4,601,001
Net assets	**5,102,355**	5,278,787
Share capital *(note 36)*	**140,390**	139,549
Reserves *(note)*	**4,961,965**	5,139,238
Total equity	**5,102,355**	5,278,787

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	Investment revaluation reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At January 1, 2013	3,376,570	2,073,316	22,515	(10,539)	–	(172,476)	5,289,386
Profit for the year	–	–	–	–	–	735	735
Other comprehensive income for the year	–	–	–	4,239	379	–	4,618
Total comprehensive income for the year	–	–	–	4,239	379	735	5,353
Recognition of equity-settled share-based payments	–	–	124	–	–	–	124
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(155,625)	(155,625)
At 31 December 2013	3,376,570	2,073,316	22,639	(6,300)	379	(327,366)	5,139,238
Profit for the year	–	–	–	–	–	18,613	18,613
Other comprehensive income for the year	–	–	–	3,424	(379)	–	3,045
Total comprehensive income for the year	–	–	–	3,424	(379)	18,613	21,658
Issue of ordinary shares under Pre-IPO share option scheme	55,236	–	(20,729)	–	–	–	34,507
Expiration of options under Pre-IPO share option scheme	–	–	(1,910)	–	–	1,910	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	(233,438)	(233,438)
At 31 December 2014	**3,431,806**	**2,073,316**	**–**	**(2,876)**	**–**	**(540,281)**	**4,961,965**

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	5,707,320	8,206,833	6,684,149	7,330,818	**8,193,716**
Profit before tax	643,285	1,742,141	508,927	1,109,024	**1,091,108**
Income tax expense	(115,555)	(352,746)	(102,321)	(262,720)	**(278,128)**
Profit for the year	527,730	1,389,395	406,606	846,304	**812,980**
Attributable to:					
Owners of the Company	510,873	1,340,836	395,123	823,010	**790,313**
Non-controlling interests	16,857	48,559	11,483	23,294	**22,667**
	527,730	1,389,395	406,606	846,304	**812,980**

ASSETS AND LIABILITIES

	At 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	14,499,900	16,122,366	15,648,964	17,361,715	**20,022,989**
Total liabilities	7,010,111	7,398,733	6,765,284	7,883,892	**9,917,855**
	7,489,789	8,723,633	8,883,680	9,477,823	**10,105,134**
Equity attributable to:					
Owners of the Company	7,293,933	8,473,035	8,601,209	9,235,349	**9,830,617**
Non-controlling interests	195,856	250,598	282,471	242,474	**274,517**
	7,489,789	8,723,633	8,883,680	9,477,823	**10,105,134**