CONCH VENTURE

China Conch Venture Holdings Limited
中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 586

2013 Annual Report

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

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

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

Articles of Association:	the articles of association of the Company adopted on 3 December 2013
associate(s):	has the meaning ascribed thereto under the Listing Rules
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
BMGH Trust:	the fixed trust established with effect from 11 July 2013 with (i) Mr. Hua Yuzhou as settlor and (ii) the SA Member Beneficiaries of SA Baimashan as fixed beneficiaries
Board:	the board of Directors of the Company
Bozhou CV Green:	亳州海創新型節能建築材料有限責任公司 (Bozhou Conch Venture New Energy-saving Building Material Co., Ltd.*)
BVI:	British Virgin Islands
China or the PRC:	the People's Republic of China, and for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CK Equipment:	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*)
CKEM:	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*)
Companies Law:	the Companies Law, Cap. 22 of the Cayman Islands (as amended from time to time)
Company or Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司)

DEFINITIONS

Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*)
Conch Cement Group:	Conch Cement and its subsidiaries
Conch Design Institute:	安徽海螺建材設計研究院 (Anhui Conch Building Material Design and Research Institute*)
Conch Group or Anhui Conch Group:	Conch Holdings and its affiliates (primarily Conch Cement and Conch Profiles)
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IID Shanghai:	上海海螺國際投資發展有限公司 (Shanghai Conch International Investment Development Co., Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*)
Conch Profiles:	蕪湖海螺型材科技股份有限公司 (Wuhu Conch Profiles and Science Co., Ltd.*)
Conch Property Management:	蕪湖海螺物業管理有限公司 (Wuhu Conch Property Management Co., Ltd.*)
Conch Venture Green:	安徽海創新型節能建築材料有限責任公司 (Anhui Conch Venture New Energy-saving Building Material Co., Ltd.*)
Confluence Investment:	Confluence Investment Holdings Limited (百匯投資控股有限公司)
Connected Person(s) or connected person(s):	has the meaning ascribed thereto under the Listing Rules
Controlling Shareholder(s):	has the meaning ascribed thereto under the Listing Rules, and unless the context requires otherwise, collectively refers to HLGH Investment, HLGH Fixed Investment, HLGH PTC, and Mr. Liu Yi
CV Investment:	安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*)
Director(s):	the director(s) of the Company
EGM:	extraordinary general meeting

DEFINITIONS

Global Offering:	the offer of shares of the Company comprising the Hong Kong public offering and the international offering as further described in the Prospectus
Golden Convergence:	Golden Convergence Limited (金匯有限公司)
Group, we, our, or us:	the Company and its subsidiaries
HC Port:	揚州海昌港務實業有限責任公司 (Yangzhou Haichang Port Industrial Co., Ltd.*)
HK$:	Hong Kong dollars, the lawful currency of Hong Kong
HLGH Discretionary Objects:	in respect of the HLGH Discretionary Trust, the employees from time to time of Conch Holdings, CV Investment, the Company and those of their respective direct or indirect subsidiaries and companies in which they have interests
HLGH Discretionary Trust:	the discretionary trust established with effect from 11 July 2013, (I) with Mr. Liu Yi as settlor and (II) whose discretionary objects are the HLGH Discretionary Objects
HLGH Fixed Investment:	HLGH Fixed Investment Limited
HLGH Fixed Trust:	the fixed trust established with effect from 11 July 2013, with Mr. Liu Yi as settlor and the SA Member Beneficiaries of the Conch Group Staff Association as fixed beneficiaries (but does not include any Individual Owners)
HLGH Investment:	HLGH Investment Limited
HLGH PTC:	HLGH Management (PTC) Limited
Hong Kong or HK:	the Hong Kong Special Administrative Region of the PRC
Individual Owners:	collectively, Messrs. Guo Wensan, Li Shunan, Wong Jun, Zhu Dejin, Zhu Zhongping (the chief accountant of the Company), Guo Jingbin (a non-executive Director of the Company) and Ji Qinying (an executive Director of the Company)
Indonesia:	The Republic of Indonesia

DEFINITIONS

Kawasaki HI:	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社)
Kawasaki Partner:	such member of the Kawasaki Group which held (or holds) equity interest in CK Engineering and CK Equipment, which is: (I) (prior to the Kawasaki Merger taking effect) Kawasaki Plant System, Ltd., and (II) (after the Kawasaki Merger took effect) Kawasaki HI
Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
NGGH Investment:	NGGH Investment Limited
NGGH PTC:	NGGH Management (PTC) Limited
NGGH Trust:	the fixed trust established with effect from 11 July 2013, with Mr. Rao Peijun as settlor and the SA Member Beneficiaries of Ningguo Staff Association as fixed beneficiaries
Prospectus:	the prospectus of the Company dated 9 December 2013 in connection with the Hong Kong Public Offering
Relevant Period:	from 19 December 2013, on which the shares of the Company became listed on the Stock Exchange, to 31 December 2013
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	the year from 1 January 2013 to 31 December 2013
RMB:	Renminbi, the lawful currency of the PRC
SA Baimashan:	安徽省白馬山水泥廠工會委員會 (The Staff Association of Baimashan Cement Plant*)
SA Conch Group or Conch Group Staff Association:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Company Limited*)

* For identification purpose only

DEFINITIONS

SA Member Beneficiary(ies):	staff member(s) of SA Conch Group, SA Baimashan, SA Ningguo or SA Profiles who was (were) indirectly entitled to benefits to (I) CV Investment whose capital is held through (and in the name of) the relevant staff association; and (II) where applicable, save and except the Individual Owners, the Company whose capital is held through the HLGH Fixed Trust, HLGH Discretionary Trust, NGGH Trust, BMGH Trust and XCGH Trust
SA Ningguo or Ningguo Staff Association:	安徽省寧國水泥廠工會委員會 (The Staff Association of Ningguo Cement Plant*)
SA Profiles:	蕪湖海螺型材科技股份有限公司工會委員會 (The Staff Association of Conch Profiles*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
Shareholders:	shareholders of the Company
Splendor Court:	Splendor Court Holdings Limited (華廷控股有限公司)
State Council:	the State Council of the People's Republic of China
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Vietnam:	Socialist Republic of Vietnam
XCGH Trust:	the fixed trust established with effect from 11 July 2013 with (i) Mr. Zhou Xiaochuan as settlor and (ii) the SA Member Beneficiaries of SA Profiles as fixed beneficiaries

* Translation for identification purpose only

1. CORPORATE PROFILE

China Conch Venture Holdings Limited whose shares are listed on the Main Board of the Stock Exchange on 19 December 2013, is a large integrated provider of energy preservation and environmental protection solutions. Since its predecessor, CV Investment, the Company has been engaged in various industries such as residual heat power generation, waste incineration, vertical mill and port trading, and has extensive experience in residual heat power generation. It has cooperated with Kawasaki HI and developed an innovative waste incineration solution that effectively resolved the dioxin and heavy metal issues, the two major sources of secondary pollutions from conventional waste incineration process, which is the first technology of the same kind in the world. We have also established production plants in Wuhu and Bozhou, Anhui Province, for the production and sales of alternative wall building materials which are energy saving and environmentally friendly such as cellulose cement autoclaved boards ("CCA Board") and wood wool cement boards ("WWCB") by using advanced technologies introduced from Europe. Moreover, the synergies from our investment in Conch Holdings which is a substantial shareholder of both Conch Cement and Conch Profiles, on sales network, potential customers and strategic partnerships will effectively promote the core business development of Conch Venture. During the Reporting Period, most of the profits of the Company were derived from investment income.

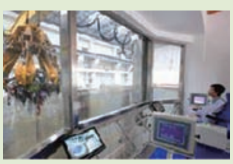
2007 2008 2009 2010 2011 2012 2013

Rapid business development of the Company

- 2007: CV Investment and Kawasaki Partner further cooperated to establish CK Equipment, which started to engage in the manufacturing of residual heat power generation equipment

- 2008: The construction of our first waste incineration project was commenced in Tongling, Anhui Province

- 2010: The construction of our first waste incineration project in Tongling was completed



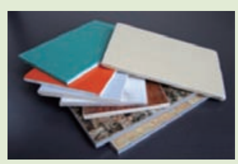
Domestic and overseas business expansion

- 2012: Haichang Port of HC Port completed construction and commenced operation

- 2012: Expanded into markets outside Asia-Pacific regions by providing residual heat power generation solutions to customers overseas such as Brazil

- 2013: Conch Venture Green and Bozhou CV Green were established for entering into the green building material market

- 2013: The construction of Bozhou CCA plant and Wuhu CCA plant were commenced in October and November 2013 respectively



2007 – 2010 → **2011 – 2013**

Excellent results achieved with over 10 years of experience in the energy preservation and environmental protection industries

2002 2003 2004 2005 2006

Initial stage

- 2002: CV Investment, the predecessor of the Company was established

- 2003: CV Investment invested in Conch Holdings and held 49% of its equity interest

- 2006: HC Port was established which focuses on developing and operating Haichang Port

- 2006: CK Engineering was established with Kawasaki Partner to carry out engineering projects relating to residual heat power generation projects for cement and other heavy industrial plants, and waste incineration and other environmental protection projects

Kawasaki

2002 – 2006

2. CORPORATE INFORMATION

REGISTERED CHINESE NAME OF THE COMPANY

中國海螺創業控股有限公司

Chinese abbreviation

海螺創業

REGISTERED ENGLISH NAME OF THE COMPANY

CHINA CONCH VENTURE HOLDINGS LIMITED

English abbreviation

Conch Venture

EXECUTIVE DIRECTORS

JI Qinying *(Chief Executive Officer)*
LI Jian
LI Daming

NON-EXECUTIVE DIRECTOR

GUO Jingbin *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Chi On (alias Derek CHAN)
CHAN Kai Wing
LAU Chi Wah, Alex

AUDIT COMMITTEE

CHAN Chi On *(Chairman)*
CHAN Kai Wing
LAU Chi Wah, Alex

REMUNERATION AND NOMINATION COMMITTEE

LAU Chi Wah, Alex *(Chairman)*
JI Qinying
CHAN Chi On
CHAN Kai Wing

JOINT COMPANY SECRETARIES

SHU Mao
NG Sin Yee, Clare

AUTHORISED REPRESENTATIVES

JI Qinying
LI Jian

REGISTERED OFFICE OF THE COMPANY

Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

ADDRESS OF THE HEAD OFFICE IN THE PRC

1011 Jiuhua South Road,
Wuhu City,
Anhui Province,
China

Postal code

241070

Email address of the Company

hlcy@conch.cn

Website of the Company

http://www.conchventure.com

Principal place of business in Hong Kong

Suite 4018, 40/F Jardine House,
1 Connaught Place, Central,
Hong Kong

HONG KONG LEGAL ADVISOR

Chiu & Partners
40/F, Jardine House,
1 Connaught Place,
Central, Hong Kong

2. CORPORATE INFORMATION

COMPLIANCE ADVISOR

First Shanghai Capital Limited
19/F, Wing On House,
71 Des Voeux Road Central,
Central, Hong Kong

INTERNATIONAL AUDITOR

KPMG
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716,
17/F, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

STOCK CODE

00586

3. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2013)

Operating results

Unit: RMB'000

Item	**2013**	2012	2011	2010
Turnover	**1,591,382**	1,250,435	1,581,995	1,812,167
Profit before taxation	**2,051,201**	1,482,742	2,462,772	1,668,959
Share of profit of an associate	**1,722,804**	1,176,249	2,062,894	1,112,615
Net profit attributable to equity shareholders of the Company	**1,836,786**	1,299,091	2,228,156	1,331,232

Assets and liabilities

Unit: RMB'000

Item	**2013**	2012	2011	2010
Total assets	**15,976,669**	10,804,688	9,794,761	8,080,130
Total liabilities	**2,699,547**	1,325,932	1,217,967	1,167,560
Equity attributable to equity shareholders of the Company	**12,801,011**	9,060,993	8,151,307	6,495,755

4. CHAIRMAN'S STATEMENT

Mr. GUO Jing Bin
Chairman

Dear shareholders,

On behalf of the Group, I would like to present to you the first annual results report of the Company upon its listing on the Main Board of the Stock Exchange.

2013 was a historic and memorable year in the development of the Company. On 19 December 2013, the successful listing of the Company on the Main Board of the Stock Exchange marked a new stage in the development of the Group, ensuring sufficient capital and confidence for its future development. In addition to boosting the recognition of Conch Venture and strengthening the corporate governance and management standard of the Group, the successful listing of the Company has also laid a platform for its global business development.

During the year, with the commitment of the management team and the staff, the Group achieved satisfactory results in all aspects. For the year ended 31 December 2013, the Group recorded turnover of approximately RMB1,591 million and investment return of approximately RMB1,723 million from the investment in Conch Holdings, representing increases of 27.3% and 46.5%, respectively. Profit before tax amounted to approximately RMB2,051 million, representing an increase of 38.3% as compared with the same period of the previous year.

In 2013, in light of a slowdown in the economic growth and the residual power generation market in the cement industry becoming saturated, Conch Venture began to establish its foothold in other residual heat power generation markets such as the steel market, and actively explore overseas residual heat power generation markets. During the year, Conch Venture contracted three overseas power generation projects in various countries such as Vietnam and Indonesia.

In addition, we entered into agreements with the local governments of Pingliang, Chongqing, Yangchun, Zunyi and Liquan in respect of the urban domestic waste incineration projects with the use of cement kilns through various arrangement models such as BOT, BO, EPC and EP. Furthermore, the grate incinerator technology of Kawasaki HI from Japan was introduced in places without cement kilns and is expected to be launched in the market in 2014.

4. CHAIRMAN'S STATEMENT

In respect of new energy-saving and environmentally friendly building materials, the construction of the production bases of CCA board in Wuhu and Bozhou commenced in 2013. The Bozhou CCA board project and the Wuhu CCA board project are expected to commence production at the end of September 2014 and December 2014, respectively.

Environmental protection is an integral part of the Chinese government policy. Recently, the State Council has formulated the Air Pollution Alleviation Plan (大氣治理行動計劃) and entered into accountability agreements with all provinces. The formulation of the Water and Soil Pollution Alleviation Plan (水、土壤環境治理行動計劃) is in progress. The improvement and conservation of the ecology system are essential to the sustainable development of China. According to the requirements of the Guo Fa [2013] No. 41 document issued by the State Council during the year, the pollution-free incineration of urban domestic waste and industrial waste with the use of cement kilns was encouraged; preferential tax treatments were provided to facilitate the efficient recycling of resources; fee settlement mechanism was further optimized; not less than 10% of the production lines were used for the incineration of wastes; the environmental protection industry was entering into a golden period of development. Looking forward, benefitting from favourable government policies, the Company will adopt more diversified business cooperation methods to further expand the end market of waste incineration solutions. More research and development resources will be allocated to the refinement and enhancement of residual heat power generation solutions based on different needs of various industries such as steel, glass and chemical. The Company will continue injecting additional capital and resources to ensure timely commencement of the production lines of environmentally-friendly building materials in Wuhu and Bozhou of Anhui.

The success of the Group in 2013 was attributable to the dedication of its staff and business partners. On behalf of the Board, I would like to extend my gratitude to the shareholders, business partners and customers for their long-term support and trust in the Group. I would also like to express my appreciation for the hard work and contribution of the devoted staff of the Group during the year.

Guo Jingbin
Chairman of the Board

27 March 2014

5. MANAGEMENT DISCUSSION AND ANALYSIS

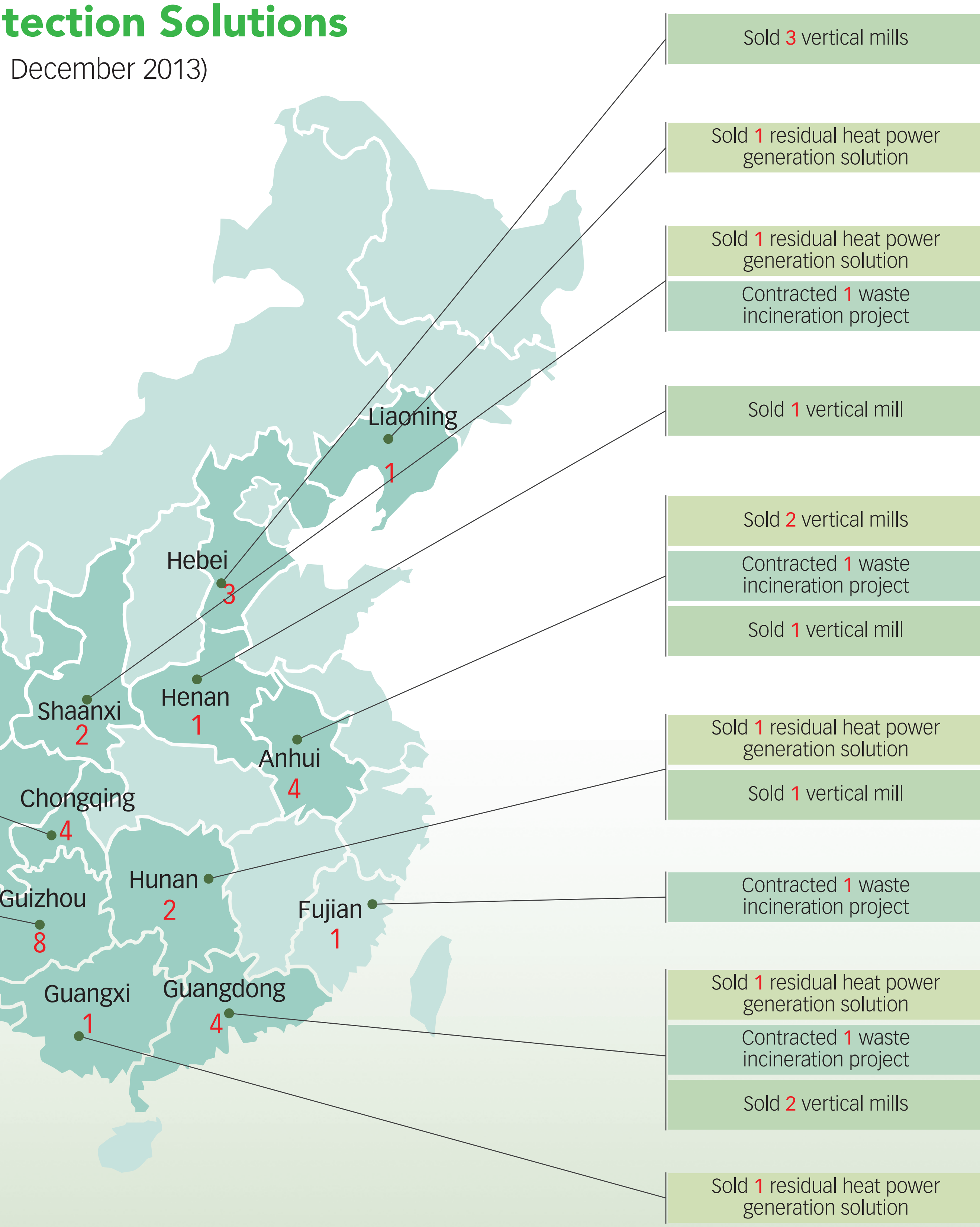
BUSINESS REVIEW

During the period of the "12th Five-Year Plan", the development of cyclic and green economy has been a major driving force of the economic growth and transformation of China. In 2013, the State Council of China issued the Opinions on Accelerating the Development of Energy-preservation and Environmental-protection Industries (關於加快發展節能環保產業的意見), which stated the aim to promote energy-preservation and environmental-protection industries as the pillar industries of the national economy by maintaining an average output growth of over 15% per year and reaching a total output of approximately RMB4.5 trillion in 2015. As the residual heat power generation, waste incineration and green building materials businesses of the Company are industries of energy-preservation and environmental-protection supported by the national industrial policies, such favourable policies will bring enormous business opportunities for the Group.

The Group has achieved remarkable results in 2013. Its residual heat power generation business has established presence in Southeast Asia, and its customer base has been further diversified into various industries such as steel in addition to the cement industry, achieving cross-region and cross-industry development. Supported by the national industrial policy to encourage the development of industries of energy-preservation and environmental-protection, the Company put efforts in market expansion and engaged in 8 waste incineration projects in 2013. In addition, the construction of green building materials bases in Wuhu and Bozhou commenced in 2013. It is expected that the revenue of the Group will further increase upon the completion of various projects. In respect of port logistics business, the Group achieved throughput of 19.00 million tonnes, representing an increase of 8.00 million tonnes as compared with the corresponding period of the previous year. During 2013, the Group sold 27 sets of residual heat power generation equipments and 15 sets of vertical mills, representing increases of 8 and 5 sets as compared to the corresponding period of the previous year, respectively.

nergy Preservation and tection Solutions

December 2013)



In 2013, 27 residual heat power generation solutions and 15 vertical mills were sold and 8 waste incineration projects were contracted in aggregate.

Remarkable Results of En
Environmental Pro

(1 January 2013 – 31

Sold 1 residual heat power generation solution
Contracted 1 waste incineration project
Sold 1 vertical mill

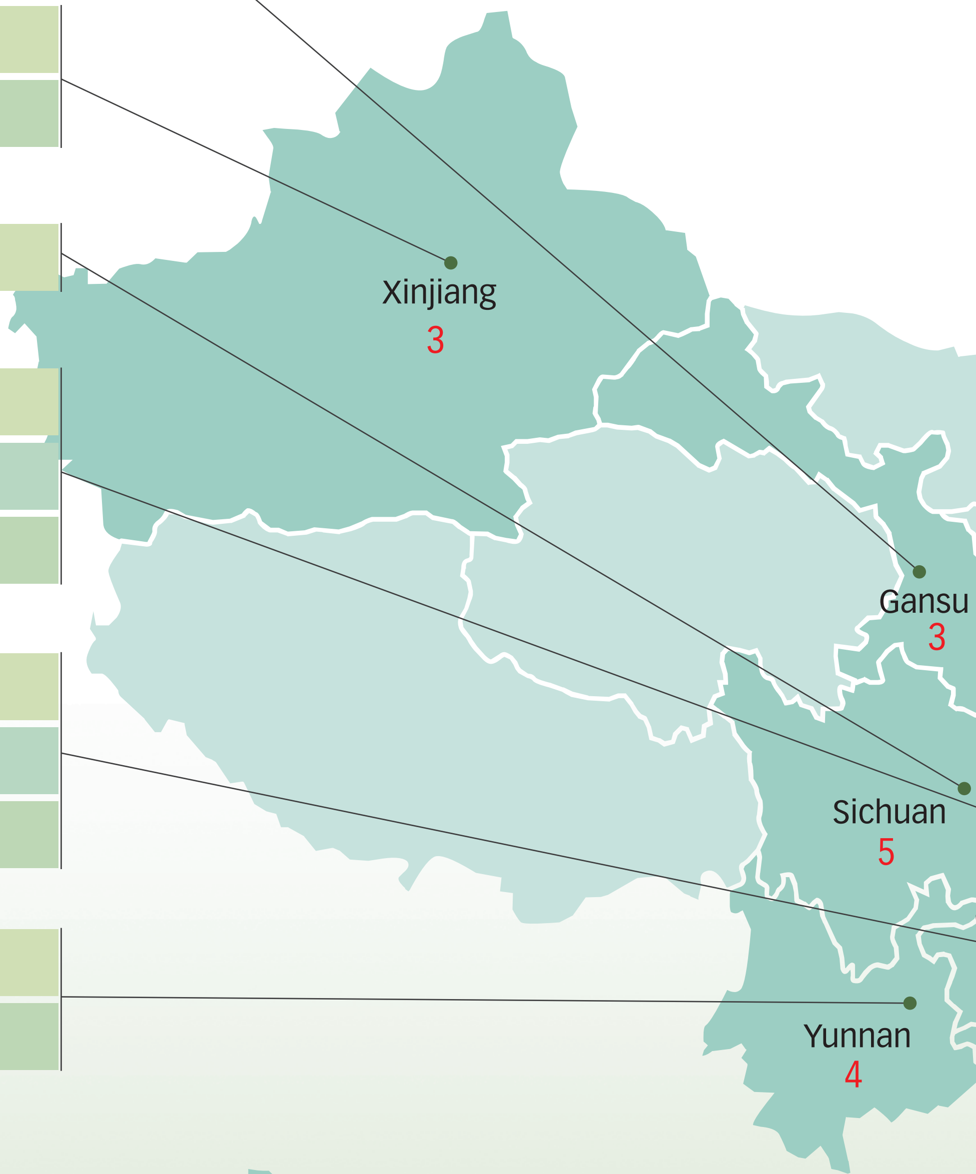
Sold 2 residual heat power generation solutions
Sold 1 vertical mill

Sold 5 residual heat power generation solutions

Sold 2 residual heat power generation solutions
Contracted 1 waste incineration project
Sold 1 vertical mill

Sold 5 residual heat power generation solutions
Contracted 2 waste incineration projects
Sold 1 vertical mill

Sold 3 residual heat power generation solutions
Sold 1 vertical mill



Vietnam

Sold 1 residual heat power generation solution

Indonesia

Sold 1 residual heat power generation solution and 2 vertical mills

5. MANAGEMENT DISCUSSION AND ANALYSIS

PROFITS

Item	2013 Amount (RMB'000)	2012 Amount (RMB'000)	Changes between the Reporting Period and the corresponding period of the previous year (%)
Turnover	**1,591,382**	1,250,435	27.3
Profit before taxation	**2,051,201**	1,482,742	38.3
Share of profit of an associate	**1,722,804**	1,176,249	46.5
Net profit attributable to equity shareholders of the Company	**1,836,786**	1,299,091	41.4

During the Reporting Period, the Group further strengthened its internal control and strived to explore new markets, and recorded turnover of RMB1.59 billion and profit before taxation of RMB2.05 billion, representing increases of 27.3% and 38.3% as compared with the corresponding period of the previous year, respectively. Share of profit of an associate amounted to RMB1.72 billion, representing an increase of 46.5% as compared with the corresponding period of the previous year. The increase was mainly attributable to the significant profit growth of Conch Cement, whose 36.78% equity interest was held by Conch Holdings which in turn was held as to 49% by the Group, resulting in an increase of profit attributable to the Group. During the Reporting Period, net profit attributable to the equity shareholders of the Company amounted to RMB1.84 billion, representing an increase of 41.4% as compared with the corresponding period of the previous year. Basic earnings per share amounted to RMB1.22.

Share of revenue and profit of Conch Cement

Item	2013 Amount (RMB'000)	2013 Percentage (%)	2012 Amount (RMB'000)	2012 Percentage (%)	Change in amount (%)	Change in percentage (percentage point)
Turnover	**1,591,382**	**100.0**	1,250,435	100.0	27.3	–
Other customers	**792,505**	**49.8**	919,736	73.6	-13.8	-23.8
Conch Cement	**798,877**	**50.2**	330,699	26.4	141.6	23.8
Profit for the year	**1,978,550**	**100.0**	1,416,440	100.0	39.7	–
Share of profit of an associate	**1,722,804**	**87.1**	1,176,249	83.0	46.5	4.1
Profit attributable to operations	**255,746**	**12.9**	240,191	17.0	6.5	-4.1

5. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, revenue from sales to Conch Cement was RMB799 million and accounted for 50.2% of total turnover, representing increases of 141.6% and 23.8 percentage points as compared with the corresponding period of the previous year, respectively, primarily because (i) the Group completed certain residual heat power generation projects for Conch Cement's overseas markets; (ii) of an increase in sales of vertical mills to Conch Cement in connection with its cement production lines in Western China; and (iii) of an increase in the revenue from Conch Cement, its major customer, attributable to the effective enhancement of the productivity of HC Port by the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Turnover by business segments

Item	2013 Amount (RMB'000)	Percentage (%)	2012 Amount (RMB'000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage point)
Residual heat power generation	**1,174,970**	**73.8**	923,531	73.9	27.2	-0.1
Vertical mills	**284,974**	**17.9**	157,901	12.6	80.5	5.3
Waste incineration	**645**	**0.1**	93,202	7.5	-99.3	-7.4
Subtotal	**1,460,589**	**91.8**	1,174,634	94.0	24.3	-2.2
Port logistics services	**130,793**	**8.2**	75,801	6.0	72.5	2.2
Total	**1,591,382**	**100.0**	1,250,435	100.0	27.3	–

The Group engages in various businesses including residual heat power generation, vertical mill, waste incineration and port logistics services. In terms of turnover, the turnover of residual heat power generation, vertical mill and port logistics services recorded increases of 27.2%, 80.5% and 72.5% respectively during the reporting period as compared with the corresponding period of the previous year, primarily because the Group received more orders from Conch Cement. In terms of the percentage of turnover, the percentage of turnover from vertical mill increased by 5.3 percentage points during the reporting period due to the increase in sales of vertical mills to Conch Cement in connection with its cement production lines in Western China. The percentage of turnover from waste incineration decreased by 99.3%, or 7.4 percentage points, which was due to the recognition of partial design fee incomes as the design and construction of new waste incineration projects only commenced at the end of 2013.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Turnover by geographical locations

Item	2013 Amount (RMB'000)	Percentage (%)	2012 Amount (RMB'000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage point)
China	**1,321,382**	**83.0**	835,616	66.8	58.1	16.2
South America	**–**	**–**	259,100	20.7	-100.0	-20.7
Asia (excluding China)	**270,000**	**17.0**	155,719	12.5	73.4	4.5
Total	**1,591,382**	**100.0**	1,250,435	100.0	27.3	–

During the Reporting Period, the turnover of the Group was largely generated from China market, which accounted for 83.0% of the total turnover, representing an increase of 58.1% as compared with the corresponding period of the previous year. As the Group put efforts in expanding the overseas residual heat power generation markets, turnover from Asia (excluding China) increased by 73.4% as compared with the corresponding period of the previous year.

Costs and expenses

Item	2013 Amount (RMB'000)	Percentage (%)	2012 Amount (RMB'000)	Percentage (%)	Change in amount (%)	Change in percentage (percentage point)
Equipment and components	**516,553**	**47.0**	397,415	46.9	30.0	0.1
Raw materials	**291,785**	**26.6**	222,361	26.2	31.2	0.4
Subcontracting costs	**201,983**	**18.4**	168,691	19.9	19.7	-1.5
Labour costs and overhead	**24,774**	**2.2**	15,519	1.8	59.6	0.4
Depreciation and amortisation	**39,188**	**3.6**	26,831	3.2	46.1	0.4
Others	**24,146**	**2.2**	17,178	2.0	40.6	0.2
Total	**1,098,429**	**100.0**	847,995	100.0	29.5	–

During the Reporting Period, the total cost of sales of the Group was RMB1.1 billion, representing an increase of 29.5% as compared with the corresponding period of the previous year, mainly due to the increase in residual heat power generation and vertical mills project as well as the increased throughput volume of port logistics services. In terms of individual item, the proportion of subcontracting costs decreased by 1.5 percentage points, mainly due to the increase in the total costs of vertical mills and port logistic services, resulting in a higher growth rates for costs of raw materials, labour costs and overhead, depreciation and amortisation as compared to that of subcontracting costs.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Item	2013 Gross profit (RMB'000)	2013 Gross profit margin (%)	2012 Gross profit (RMB'000)	2012 Gross profit margin (%)	Change in amount (%)	Change in gross profit margin (percentage point)
Residual heat power generation	**353,745**	**30.1**	286,710	31.0	23.4	-0.9
Vertical mills	**62,311**	**21.9**	44,179	28.0	41.0	-6.1
Waste incineration	**–**	**–**	30,884	33.1	-100.0	-33.1
Subtotal	**416,056**	**28.5**	361,773	30.8	15.0	-2.3
Port logistics services	**76,897**	**58.8**	40,667	53.6	89.1	5.2
Total	**492,953**	**31.0**	402,440	32.2	22.5	-1.2

During the Reporting Period, the consolidated gross profit margin of products of the Group was 31.0%, representing a decrease of 1.2 percentage points as compared with the corresponding period of the previous year, primarily due to the decrease in selling prices as a result of the intensified competitions in the residual heat power generation and vertical mill markets. Gross profit margin for port logistics services increased by 5.2 percentage points, which was attributable to effective control over fixed cost as a result of the increase in the throughput capacity of ports and the improvement of loading and unloading efficiency.

Distribution costs

During the Reporting Period, the distribution costs of the Group were RMB27.04 million, representing an increase of RMB8.455 million or 45.5% as compared with the corresponding period of the previous year, primarily due to the increase in transportation and port service charges and wharfage.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group were RMB102.718 million, representing an increase of RMB28.025 million or 37.5% as compared with the corresponding period of the previous year, primarily due to the recognition of listing fees of RMB28.975 million for the listing of shares of the Company in 2013.

Finance costs, net

During the Reporting Period, the finance costs of the Group were RMB53.602 million, representing an increase of RMB39.702 million or 285.6% as compared with the corresponding period of the previous year, primarily due to the increase in interest expenses as a result of the taking up of loans of RMB950 million by the Group as part of its restructuring and the increase in new loans.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Profit before taxation

During the Reporting Period, the profit before taxation of the Group was RMB2.05 billion, representing an increase of RMB568 million or 38.3% as compared with the corresponding period of the previous year, primarily due to the profit growth of Conch Cement, whose 36.78% equity interest was held by Conch Holdings which in turn was held as to 49% by the Group, resulting in an increase of profit attributable to the Group.

Income tax expenses

During the Reporting Period, the income tax expenses of the Group were RMB72.651 million, representing an increase of RMB6.349 million or 9.6% as compared with the corresponding period of the previous year, primarily due to the growth of profit before tax of its major business.

FINANCIAL POSITION

As at 31 December 2013, the financial position of the Group remained sound and stable with a relatively low gearing ratio. Total assets and equity attributable to equity shareholders of the Company amounted to RMB15.98 billion and RMB12.80 billion, representing increases of RMB5.17 billion and RMB3.74 billion, respectively, as compared with the end of the previous year. Gearing ratio of the Group was 16.9%, representing an increase of 4.6 percentage points as compared with the end of the previous year. The balance sheet items of the Group are as follows:

Item	**At 31 December 2013 (RMB'000)**	At 31 December 2012 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plants and equipment	**786,513**	775,569	1.4
Non-current assets	**11,028,055**	9,447,043	16.7
Current assets	**4,948,614**	1,357,645	264.5
Current liabilities	**1,595,547**	1,295,932	23.1
Non-current liabilities	**1,104,000**	30,000	3,580.0
Net current assets	**3,353,067**	61,713	5,333.3
Equity attributable to equity shareholders of the Company	**12,801,011**	9,060,993	41.3
Total assets	**15,976,669**	10,804,688	47.9
Total liabilities	**2,699,547**	1,325,932	103.6

5. MANAGEMENT DISCUSSION AND ANALYSIS

Non-current assets and non-current liabilities

As at 31 December 2013, the non-current assets of the Group was RMB11.03 billion, representing an increase of 16.7% as compared with the end of the previous year, primarily due to an increase of equities in its associates. Non-current liabilities of the Group was RMB1.10 billion, representing a significant increase as compared with the end of the previous year, primarily because certain short-term loans undertaken by the Group during its restructuring were reclassified as long-term loans.

Current assets and current liabilities

As at 31 December 2013, the current assets of the Group was RMB4.95 billion, representing an increase of 264.5% as compared with the end of the previous year, primarily due to the increase in money funds following its successful listing in December 2013. Current liabilities of the Group was RMB1.60 billion, representing an increase of 23.1% as compared with the end of the previous year, primarily due to the Group taking up short-term borrowings and new short-term loans as part of its restructuring. Current ratio and debt to equity ratio (calculated by dividing total loans by total equity) were 3.10 and 0.12, respectively, as compared to 1.05 and 0.04 of the corresponding period of the previous year respectively.

Net current assets

As at 31 December 2013, the net current assets of the Group was RMB3.35 billion, representing an increase of RMB3.29 billion as compared with the end of the previous year, primarily due to a significant increase in current assets because of the raised funds from its successful listing in December 2013.

Equity attributable to equity shareholders of the Company

As at 31 December 2013, the equity attributable to the equity shareholders of the Group was RMB12.80 billion, representing an increase of 41.3% as compared with the end of the previous year, primarily due to the successful listing of the Group and an increase of equity interests in the associates.

Bank loans

Item	**At 31 December 2013 (RMB'000)**	At 31 December 2012 (RMB'000)
Due within one year	**484,804**	390,000
Due after one year but within two years	**904,000**	30,000
Due after two years but within five years	**200,000**	–
Due after five years	**–**	–
Total	**1,588,804**	420,000

As at 31 December 2013, the total loans of the Group amounted to RMB1,588.80 million, representing an increase of RMB1,168.80 million as compared to the end of the previous year, primarily due to the loans of RMB950 million and new loans undertaken by the Group as part of its restructuring.

5. MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The foreign exchange risk faced by the Group mainly derives from account receivables and payables arising from sales and procurement and proceeds from the issue of new shares which are denominated in foreign currencies, mainly including US dollars, Hong Kong dollars and Japanese Yen. The Group adopted effective management and control measures to control the risk within acceptable range.

CASH FLOW

Item	**2013 (RMB'000)**	2012 (RMB'000)
Net cash generated from operating activities	**308,825**	153,854
Net cash generated from/(used in) investing activities	**58,687**	(163,550)
Net cash generated from/(used in) financing activities	**3,053,561**	(30,876)
Net increase/(decrease) in cash and cash equivalents	**3,421,073**	(40,572)
Cash and cash equivalents at the beginning of the year	**276,388**	316,960
Effect of foreign exchange rate changes on cash and cash equivalents	**680**	–
Cash and cash equivalents at the end of the year	**3,698,141**	276,388

Net cash generated from operating activities

During the Reporting Period, net cash generated from the operating activities of the Group amounted to RMB308.825 million, representing an increase of RMB154.971 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the increase in the sales of residual heat power generation, vertical mill and port logistics, resulting in an increase in cash inflow from operations.

Net cash generated from investing activities

During the Reporting Period, net cash generated from the investing activities of the Group amounted to RMB58.687 million, representing an increase of RMB222.237 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the increase in dividend received from the associate and the decrease in capital expenditure of the Group as compared with the corresponding period of the previous year.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from financing activities

During the Reporting Period, net cash generated from the financing activities of the Group amounted to RMB3,053.56 million, representing an increase of RMB3,084.44 million as compared with the corresponding period of the previous year. The increase was mainly attributable to the raised funds from its listing during the year.

CAPITAL EXPENDITURE

As at 31 December 2013, the capital expenditure of the Group amounted to RMB90.644 million, which was mainly the expenditure for purchasing property, plant and equipment by HC Port and CK Engineering and the investment in green building material projects in progress in Bozhou and Wuhu.

As at 31 December 2013, the outstanding capital commitments in respect of acquisition of machinery and equipments used in manufacturing were as follows:

Items	**At 31 December 2013 (RMB'000)**	At 31 December 2012 (RMB'000)
Contracted for	**69,863**	53,796
Authorized but not contracted for	**163,142**	1,121
Total	**233,005**	54,917

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, the Company and its relevant subsidiaries or associates had not conducted any material acquisitions or disposals.

5. MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR 2014

In 2014, the Mainland China will focus on maintaining the steady growth as well as economic and social stability in the course of macroeconomic control. Maintaining steady growth of national economy remains the main task of China for 2014. Economic transformation and reform proposed at the Economic Work Conference and the policies to promote industrialization of the construction market and urbanization will also bring opportunities to the rapid development of the Company.

In 2014, based on the relevant industrial policies of China, the Group will steadily promote the development of energy-preservation industry, and further expand the market share of urban domestic waste incineration utilizing cement kilns. The Company has conducted research and study on the grate furnace technology, which is expected to be launched within this year. For the residual heat power generation business, the Company will focus on expanding into other industries, including steel, and overseas markets. In addition, management of CCA board projects will be enhanced by coordinating the preparatory works before the commencement of production in order to ensure the achievement of expected revenue upon the commencement of production on schedule. The Company will also improve the operating efficiency of port logistics services through increasing the throughput of ports. In order to strengthen management, the Company will further improve the internal control system by regulating the process. The Company is committed to maximizing the interests of shareholders and pursuing a sustainable, sound and rapid development.

The Company will further expand and develop the end market of the waste incineration solution to consolidate its leading position in the market and boost its future development. It will also expand the application of the residual heat power generation solution, accelerate the development of green building materials business and set out acquisition targets prudently to enrich the existing business portfolio. The Company will strive to develop into a leading group specializing in energy-preservation and environmental-protection as well as green building materials business in 3 to 5 years.

6. CORPORATE GOVERNANCE REPORT

The Board hereby presents the corporate governance report of the Group for the year.

The Company is committed to achieving high standard of corporate governance in order to protect the interests of the Shareholders and improve corporate value and accountability. The Company acknowledges the importance of the Board in effectively leading and managing the business of the Company and ensuring the transparency and accountability of the Company's operation.

The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Listing Rules of the Stock Exchange as the corporate governance code of the Company. The Board has confirmed that, during the Relevant Period, the Company complied with the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules to formulate its operation, and the Company has further refined the corporate governance structure and enhanced its corporate governance under the guidance of the regulatory documents including the Listing Rules and the Articles of Association.

The Company will regularly review and improve its corporate governance practices in order to be continuously in compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) ("Securities Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiries by the Company, all the Directors confirmed that they complied with the Model Code and the Securities Dealing Code during the Relevant Period.

The Company has also issued warning to employees about insider dealing ("Insider Dealing Warning") for securities transactions by employees.

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Model Code, the Securities Dealing Code and the Insider Dealing Warning by the relevant employees.

6. CORPORATE GOVERNANCE REPORT

THE BOARD

As at the date of this report, the composition of the Board is as follows:

Name	Position
Mr. Guo Jingbin	Non-executive Director and Chairman of the Board
Mr. Ji Qinying	Executive Director and Chief Executive Officer
Mr. Li Jian	Executive Director and Deputy General Manager
Mr. Li Daming	Executive Director and Deputy General Manager
Mr. Chan Chi On (alias Derek Chan)	Independent non-executive Director
Mr. Chan Kai Wing	Independent non-executive Director
Mr. Lau Chi Wah, Alex	Independent non-executive Director

Detailed biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

There is no financial, business, family or other material/relevant relationship among all members of the Board.

During the Relevant Period, the Board had complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules, having at least three independent non-executive Directors (representing at least one-third of the Board) with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmations from the independent non-executive Directors, namely Mr. Chan Chi On, Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex, on their independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange. The Company agrees with their independence and considers all independent non-executive Directors are independent. The three independent non-executive Directors have duly performed their duties, protected shareholders' interests independently and objectively, and provided checks and balances in the decision-making of the Board in accordance with relevant laws and regulations.

6. CORPORATE GOVERNANCE REPORT

The Company was incorporated in Cayman Islands on 24 June 2013 and its shares have been listed on the Stock Exchange since 19 December 2013. The Board held two board meetings in total during the year ended 31 December 2013 and no board meeting was held during the Relevant Period. The attendance record of each Director at meetings is as follows:

Name	Number of Board meetings attended/held during term of office	Number of Board committee meetings attended/held during term of office (Note 1)
Mr. Guo Jingbin	2/2	4/4
Mr. Ji Qinying	2/2	4/4
Mr. Li Jian	2/2	N/A
Mr. Li Daming	2/2	N/A
Mr. Zhu Zhongping (resigned on 28 October 2013)	1/1	N/A
Mr. Chan Chi On	1/1	N/A
Mr. Chan Kai Wing	1/1	N/A
Mr. Lau Chi Wah, Alex	1/1	N/A

Note:

1. According to the resolution passed at the Board meeting on 3 December 2013, a committee under the Board comprising any two of the Directors was established to handle and approve all matters regarding the Global Offering.

For the year ended 31 December 2013, the Board had also passed seven written resolutions.

6. CORPORATE GOVERNANCE REPORT

FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership, control and management of the Company. Its primary role is to provide strategic guidance for the Company and effectively supervise the administrative staff of the Company. Each Director shall perform their duties objectively and prudently in the interest of the Company and shall be accountable to Shareholders.

The Board reserves its right to make decisions on all major matters of the Company, including to approve and supervise the policies, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The management of the Company is responsible for the daily management of the business operation of the Company, the implementation of strategies and plans, achieving business targets of the Company, and the formulation of business plans and budgets and making recommendation on such issues to the Board.

All Directors have full and timely access to all relevant information as well as the advice and services from the company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Besides, each Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

Pursuant to code provision A.6.5 of the Corporate Governance Code of the Listing Rules, the Company arranges appropriate continuous professional development trainings for Directors through various methods and channels such as holding seminars and providing learning materials, in order to ensure sufficient and appropriate contribution of Directors to the Board.

Every newly appointed Director will be provided with formal, comprehensive and tailored induction training upon his/her first appointment, in order to ensure that each Director fully understands the business and operation of the Company and the responsibilities and obligations of a Director under the Listing Rules, common law and relevant statutory and regulatory requirements.

The current Directors are consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

All Directors had been in compliance with the code provision regarding continuous professional development by attending lectures held by external professional consultants and seminars organized by the Stock Exchange and professional organizations respectively. They had also been provided with materials covering information regarding the duties and responsibilities of Directors.

6. CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to have clear division of the duties between the chairman of the Board and the chief executive officer of the Company (i.e. general manager), Mr. Guo Jingbin and Mr. Ji Qinying has been appointed as the chairman of the Board and the chief executive officer (i.e. general manager) of the Company respectively. Mr. Guo Jingbin is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the chairman of the Board. Mr. Ji Qinying is mainly responsible for the daily operation and management of the Company, the organization and implementation of the Board's resolutions, strategies, plans and business targets of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures of appointment, re-election and removal of Directors were provided in the Articles of Association.

As at the date of this report, the Company has entered into service contracts with all executive Directors and appointment letters with all non-executive Director and independent non-executive Directors, respectively, all for a term of not more than three years. Such appointment may be terminated by not less than three months' written notice from either party.

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Retiring Directors are eligible to offer themselves for re-election. The Directors to retire in every year shall be those who have been longest in office since their last re-election or appointment but as between persons who became Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. Any Director appointed by the Board shall hold office only until the next following general meeting and shall then be eligible for re-election at the meeting, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Accordingly, pursuant to the Articles of Association, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Li Daming and Mr. Li Jian shall retire from office at the forthcoming 2014 annual general meeting of the Company as their appointments were approved by the Board. As the appointments of Mr. Chan Chi On, Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex were approved by the Shareholders, one of them shall retire from office at the forthcoming 2014 annual general meeting of the Company. As agreed by the three independent non-executive Directors, Mr. Chan Kai Wing will retire from office at the forthcoming 2014 annual general meeting of the Company. All retiring Directors are eligible for re-election.

COMMITTEES OF THE BOARD

The Board has established two committees, namely the Audit Committee and the Remuneration and Nomination Committee and formulated the relevant written terms of references for overseeing particular aspects of the Company's affairs. The terms of reference of the committees of the Board are posted on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.conchventure.com) and are available to Shareholders upon request.

6. CORPORATE GOVERNANCE REPORT

Audit Committee

1. Members

The Audit Committee was approved to be established pursuant to a resolution passed by the Board on 3 December 2013.

The Audit Committee comprises the three independent non-executive Directors and their positions are as follows:

Name	Position
Mr. Chan Chi On	Chairman
Mr. Chan Kai Wing	Member
Mr. Lau Chi Wah, Alex	Member

None of the members of the Audit Committee is a former partner of the current external auditors of the Company.

The "Terms of Reference of the Audit Committee of the Board of Directors" of the Company clearly defines the duties and rules of the committee. In accordance with the "Terms of Reference of the Audit Committee of the Board of Directors", the chairman of the committee shall be an independent non-executive Director.

(2) Summary of Functions and Works

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the internal control procedures of the Company and consider any significant or unusual matters and report to the Board for consideration.

During the Relevant Period, no meeting had been held by the Audit Committee since the shares of the Company only became listed on the Main Board of the Stock Exchange on 19 December 2013.

6. CORPORATE GOVERNANCE REPORT

Remuneration and Nomination Committee

(1) Members

The Remuneration and Nomination Committee was approved to be established pursuant to a resolution passed by the Board on 3 December 2013.

The Remuneration and Nomination Committee comprises the chief executive officer and the three independent non-executive Directors of the Company, and their positions are as follows:

Name	Position
Mr. Lau Chi Wah, Alex	Chairman
Mr. Ji Qinying	Member
Mr. Chan Chi On	Member
Mr. Chan Kai Wing	Member

The "Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors" of the Company clearly defines the duties and rules of the committee. In accordance with the "Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors", the chairman of the committee shall be an independent non-executive Director.

(2) Summary of Functions and Work

The primary functions of the Remuneration and Nomination Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; and review performance based remuneration and ensure none of the Directors participate in deciding their own remuneration; to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually; to make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman/chief executive officer/general manager.

During the Relevant Period, no meeting had been held by the Remuneration and Nomination Committee since the shares of the Company only became listed on the Main Board of the Stock Exchange on 19 December 2013.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board has reviewed the corporate governance policies and practices of the Company, the training and continuous professional development of the Directors and senior management, the policies and practices of the Company on compliance with legal and regulatory requirements, the compliance of the Model Code and Securities Dealing Code, and the compliance of the Company with the Corporate Governance Code and the disclosure in this corporate governance report.

6. CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the section headed "Independent Auditor's Report " on pages 62 to 63.

The remuneration paid/payable to KPMG, the auditor, for the year ended 31 December 2013 is set out below:

Services	**Fee paid/payable** (RMB'000)
Audit Services — audit fee for 2013	1,602
Audit Services — listing fee	5,492
Non-audit Services — tax advisory	160
Total	7,254

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year and the financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flow of the Group in the year. During the preparation of the financial statements for the year ended 31 December 2013, the Board has selected suitable accounting policies and applied them consistently, made prudent, fair and reasonable judgements and estimates.

INTERNAL CONTROLS

The Board is fully in charge of the internal control system of the Group so as to protect the interests of the Shareholders and the assets of the Group. The Board, through the Audit Committee, reviews the effectiveness of the internal control system annually. The Board had examined the efficiency of the internal control system of the Group through the Audit Committee, including controls of all important aspects especially financial control, operation control, compliance control, and risk management, and consider the adequacy of resources, staff qualifications and experience, training programmes in respect of the Company's accounting and financial reporting function. The Group will continue to enhance its internal control system.

6. CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Mr. Shu Mao has been appointed as the internal joint company secretary of the Company.

The Company has externally appointed Ms. Ng Sin Yee, Clare of Tricor Services Limited as the joint company secretary. Mr. Shu Mao is the primary contact person between the Company and Ms. Ng Sin Yee, Clare.

Pursuant to Rule 8.17 of the Listing Rules, the Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary as its company secretary.

As the qualifications of Mr. Shu Mao do not satisfy the requirements as stipulated in Rule 3.28 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Shu Mao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Shu Mao has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

During the year ended 31 December 2013, Mr. Shu Mao and Ms. Ng Sin Yee, Clare had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

6. CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

The following procedures for Shareholders ("Shareholders") to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with article 64 of the Articles of Association.

1. One or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

2. Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Address:	1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conch.cn
Attention:	The Board of Directors/Company Secretary

3. The EGM shall be held within two months after the deposit of such requisition.

4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

1. Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address:	Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Email:	hkinfo@computershare.com.hk
Tel:	(852) 2862 8555
Fax:	(852) 2865 0990/2529 6087

6. CORPORATE GOVERNANCE REPORT

2. Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Address:	1011 Jiuhua South Road, Wuhu City, Anhui Province, the People's Republic of China
Email:	shumao@conch.cn
Tel:	(86 553) 839 9135
Fax:	(86 553) 839 8931
Attention:	The Board of Directors/Company Secretary

3. Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.conchventure.com.

4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

2. The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

   (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company at an annual general meeting of the Company;

   (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company at an extraordinary general meeting of the Company;

   (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company at an extraordinary general meeting of the Company.

During the Relevant Period, no general meetings were convened by the Company.

6. CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

The existing Articles of Association has been adopted pursuant to a written resolution passed by the Shareholders on 3 December 2013. From 4 December 2013 to 31 December 2013, no change has been made to the Articles of Association by the Company. The latest version of the Articles of Association is available on the websites of the Company (www.conchventure.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make investment decisions in their best interests. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.conchventure.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. Shareholders and investors may send written enquiries or requests to the Company through the following channels:

Address:	**Office and Correspondence Address:** No. 1011 Jiuhua South Road, Yijiang District, Wuhu City, Anhui Province, China **Representative Office in Hong Kong:** Suite 4018, 40/F, Jardine House, 1 Connaught Place, Central, Hong Kong
Tel No.:	86-553-8399135
Fax No.:	86-553-8399065
Email:	hlcy@conch.cn

In order to be valid, Shareholder(s) shall deposit and send the duly signed original written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification. Information of Shareholders may be disclosed as required by law.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

For details, please refer to the section headed "Report of the Directors — Non-Compete Undertakings by Controlling Shareholders".

7. REPORT OF THE DIRECTORS

The Board hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of the subsidiaries of the Company are set out in notes 3 and 16 to the financial statements.

RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of the annual report.

RESERVES AND DIVIDEND

Other changes in reserves are set out in note 24 to the financial statements and the consolidated statement of changes in equity on page 69 of the annual report.

As at 31 December 2013, the Company's reserves available for distribution to its shareholders amounted to approximately RMB3,117.6 million.

The Directors recommend the distribution of final dividend of HK$0.25 per share for the year ended 31 December 2013.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares in the Company first became listed on the Stock Exchange on 19 December 2013.

Gross proceeds raised from the Global Offering and the exercise of over allotment dated on 27 December 2013 in such connection amounted to about HK$4,132.4 million, and the net proceeds (after deduction of listing expenses and underwriting commissions) amounted to about HK$3,968.3 million. As at 31 December 2013, about HK$99.1 million of such net proceeds was used to repay the shareholder loan provided by HLGH Investment to the Company under the loan agreement dated 16 July 2013, and the repayment was in accordance with the disclosure in the Prospectus. The remaining balance was kept in banks and approved financial institutions in Hong Kong.

PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2013, the property, plant and equipment of the Group amounted to approximately RMB786.5 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements.

7. REPORT OF THE DIRECTORS

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 16 and 17 to the financial statements.

SHARE CAPITAL (AS AT 31 DECEMBER 2013)

The Company was incorporated as an exempted limited company in Cayman Islands in accordance with the Companies Law on 24 June 2013. The authorized share capital of the Company on incorporation was HK$15 million, divided into 1.5 billion shares of a nominal value of HK$0.01 each. The Company has issued a total of 1.5 billion shares to its Shareholders on 24 June 2013.

On 13 July 2013, a resolution was passed by Shareholders to increase the authorized share capital of the Company to HK$150 million by the creation of 13.5 billion additional shares.

On 18 December 2013 and 19 December 2013, the Company issued 265 million new ordinary shares to Hong Kong and overseas investors by offering and placing.

On 27 December 2013, the Company further issued 39.75 million new shares upon the exercise of over-allotment option in full by Deutsche Bank AG, Hong Kong Branch and Goldman Sachs (Asia) L.L.C., the joint global coordinators of the listing of the Company on behalf of the international underwriters.

As at 31 December, 2013, the Company had 1,804.75 million shares in issue.

DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

As at 31 December 2013, so far as is known to the Directors, the interests and short positions of persons other than the Directors and chief executive of the Company in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Name of shareholders	**Number of shares** (note 1)	**Shareholdings** (%)	**Capacity/nature of interest**
HLGH PTC (notes 2 and 3)	855,015,837	47.38	Interest of controlled corporation and trustee
HLGH Fixed Investment (note 2)	703,165,206	38.96	Beneficial owner
HLGH Investment (note 3)	151,850,631	8.41	Beneficial owner
Mr. Liu Yi (note 4)	855,015,837	47.38	Sole shareholder and director of HLGH PTC, and settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust
Ms. Wang Ning (note 4)	855,015,837	47.38	Interest of spouse (spouse of Mr. Liu Yi)

7. REPORT OF THE DIRECTORS

Name of shareholders	Number of shares (note 1)	Shareholdings (%)	Capacity/nature of interest
NGGH PTC (note 5)	136,344,891	7.55	Interest of controlled corporation and trustee
NGGH Investment (note 5)	136,344,891	7.55	Beneficial owner
Mr. Rao Peijun (note 6)	136,344,891	7.55	Sole shareholder and director of NGGH PTC, and settlor of the NGGH Trust
Ms. Chen Lijun (note 6)	136,344,891	7.55	Interest of spouse (spouse of Mr. Rao Peijun)

Notes:

1. All shareholdings are in long positions.

2. HLGH Fixed Investment is a wholly owned subsidiary of HLGH PTC. HLGH Fixed Investment and the shares owned by it form part of the trust assets of the HLGH Fixed Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Fixed Trust is a fixed trust and, as at 31 December 2013, it had 3,593 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 2.05%. All these fixed beneficiaries are SA Member Beneficiaries of SA Conch Group.

3. HLGH Investment is a wholly owned subsidiary of HLGH PTC. HLGH Investment and the shares owned by it form part of the trust assets of the HLGH Discretionary Trust, which was established by Mr. Liu Yi as settlor and whose trustee is HLGH PTC. The HLGH Discretionary Trust is a discretionary trust and its discretionary objects are the HLGH Discretionary Objects.

4. HLGH PTC is a trustee company incorporated in BVI. Mr. Liu Yi is the sole shareholder of HLGH PTC. He is the sole director of each of HLGH PTC, HLGH Fixed Investment and HLGH Investment. He is also the settlor of both the HLGH Fixed Trust and the HLGH Discretionary Trust. Mr. Liu is deemed to be interested in 151,850,631 shares in his capacity of settlor of the HLGH Discretionary Trust, and is deemed to be interested in 703,165,206 shares in his capacity of the sole director of HLGH PTC and HLGH Fixed Investment. Ms. Wang Ning is the spouse of Mr. Liu Yi, and accordingly she is deemed to be interested in an aggregate of 855,015,837 shares by virtue of the SFO.

5. NGGH Investment is a wholly owned subsidiary of NGGH PTC. NGGH Investment and the shares owned by it form part of the trust assets of the NGGH Trust, which was established by Mr. Rao Peijun as settlor and whose trustee is NGGH PTC. The NGGH Trust is a fixed trust and, as at 31 December 2013, it had 1,424 fixed beneficiaries, each of whose attributable interest in the Company ranged from less than 0.01% to 0.19%. All these fixed beneficiaries are SA Member Beneficiaries of SA Ningguo.

6. NGGH PTC is a trustee company incorporated in BVI. Mr. Rao Peijun is the sole shareholder of NGGH PTC. He is the sole director of each of NGGH PTC and NGGH Investment. He is also the settlor of the NGGH Trust. Mr. Rao is deemed to be interested in 136,344,891 shares in his capacity of the sole director of NGGH PTC and NGGH Investment. Ms. Chen Lijun is the spouse of Mr. Rao Peijun, and accordingly she is deemed to be interested in the said 136,344,891 shares by virtue of the SFO.

Save as the disclosed above, as at 31 December 2013, the Directors were not aware of any other persons other than the Directors and chief executive of the Company who had interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO.

7. REPORT OF THE DIRECTORS

2. Directors' and Chief Executive's Interests and Short Positions

As at 31 December 2013, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

A. The Company

Name of Directors	Capacity/nature of interests	Number of shares (note 1)	Shareholdings (%)
Mr. Guo Jingbin (note 2)	Interest of controlled corporation	62,680,000	3.47
Mr. Ji Qinying (note 3)	Interest of controlled corporation	61,080,000	3.38
	Interest of spouse (note 3)	33,752	0.002
Mr. Li Jian (note 4)	A beneficiary of a fixed trust (HLGH Fixed Trust)	7,646,370	0.42
	Interest of spouse (note 4)	105,346	0.006
Mr. Li Daming (note 5)	A beneficiary of a fixed trust (HLGH Fixed Trust)	6,112,563	0.34

Notes:

1. All shareholdings are in long positions.

2. These shares are owned by Splendor Court which is solely owned by Mr. Guo Jingbin.

3. These shares are owned by Golden Convergence which is solely owned by Mr. Ji Qinying. Ms. Yan Zi is the spouse of Mr. Ji who is taken to be interested in such shares to which she is entitled as a beneficiary under the HLGH Fixed Trust.

4. Mr. Li Jian is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment. Ms. Wang Zhenying is the spouse of Mr. Li Jian who is taken to be interested in such shares to which she is entitled as a beneficiary under the HLGH Fixed Trust.

5. Mr. Li Daming is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment.

7. REPORT OF THE DIRECTORS

B. Associated Corporation

Name of Directors	Name of Associated Corporation	Number of shares (A share)	Shareholdings (%)	Capacity
Mr. Li Jian	Conch Cement	417,000	0.01	Beneficial owner
Mr. Li Daming	Conch Cement	310,000	0.01	Beneficial owner

3. Interests and Short Positions of Senior Management

As at 31 December 2013, interests and short positions of the senior management of the Company were as follows:

Name of senior management	Capacity/nature of interests	Number of Shares (note 1)	Shareholdings (%)
Mr. Zhu Zhongping (note 2)	Interest of controlled corporation	32,020,909	1.77
Mr. Wang Xuesen (note 3)	A beneficiary of a fixed trust (HLGH Fixed Trust)	4,125,418	0.23

Notes:

1. All shareholdings are in long positions.
2. These shares are owned by Confluence Investment which is solely owned by Mr. Zhu Zhongping.
3. Mr. Wang Xuesen is a fixed beneficiary of the HLGH Fixed Trust, whose trustee is HLGH PTC and the shares are held by HLGH Fixed Investment.

Saved as disclosed above, as at 31 December 2013, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

7. REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 50.2% and 78.5% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 6.6% and 22.9% of the total procurement of the Group respectively.

Interests held by Mr. Li Jian and Mr. Li Daming, both being executive Directors, in Conch Cement, the largest customer of the Group, were as follows:

Name of Directors	Largest customer	Number of shares (A share)	Shareholdings (%)	Capacity
Mr. Li Jian	Conch Cement	417,000	0.01	Beneficial owner
Mr. Li Daming	Conch Cement	310,000	0.01	Beneficial owner

Conch IID Shanghai, one of the five largest suppliers of the Group, is held by CV Investments, Mr. Wang Xuesen (concurrently the director of HC Port and a beneficiary of HLGH Fixed Trust), Mr. Wang Jibin (concurrently the director of HC Port and a beneficiary of HLGH Fixed Trust) and four individuals (three of whom are beneficiaries of HLGH Fixed Trust while the other one is the spouse of an individual holder) as to 70%, approximately 7.70%, approximately 6.18% and approximately 16.12%, respectively. As CV Investments, which holds 70% interests in Conch IID Shanghai, is controlled by Mr. Liu Yi, Mr. Liu Yi is deemed to be the holder of the said interests.

To the best knowledge of the Directors, save as disclosed above, none of the other Directors, their associates or shareholder holding 5% or more of the issued share capital of the Company as at 31 December 2013 had any interests in the five largest customers and suppliers disclosed above.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Relevant Period, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities. (The word “securities” shall have the meaning given by the Listing Rules).

7. REPORT OF THE DIRECTORS

MINIMUM PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires an issuer of listed securities to maintain a sufficient public float of the securities. In general, at least 25% of the total issued share capital of an issuer shall at all times be held by the public.

The Company has applied to the Stock Exchange and the Stock Exchange has approved for waiver of the requirement under Rule 8.08(1)(d) of the Listing Rules to allow a minimum public float of the Company equivalent to 17.12% of its issued share capital (after taking into account of the shares issued pursuant to the full exercise of the over-allotment option).

As at the date of the annual report, based on the information that is publicly available to the Directors, the public float of the Company's issued share capital was 17.12%. The Directors believe that the public float and shareholder base of the Company are sufficient for normal market trading.

EMPLOYEES AND REMUNERATION POLICIES

The Group always values the development of human resources by providing its employees with competitive remuneration packages and various training programs. The Group recruits graduates of vocational schools, institutions and universities across China through numerous channels.

As at 31 December 2013, the Group had approximately 772 employees. The following table shows a breakdown of the employees by functions.

Functions	**Number**
Production and Operation	620
Management	69
Finance and Administration	20
Others	63
Total	772

In accordance with the social insurance regulations of China, the Group participates in the social insurance schemes operated by the relevant local government authorities, including retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

The Company has adopted a share option scheme (details are set out in Share Option Scheme of this section), so that the Group may grant options to selected participants as incentives or rewards for their contribution to the Group.

7. REPORT OF THE DIRECTORS

DIRECTORS (AS AT THE DATE OF THIS REPORT)

Name	Post	Date of appointment
Mr. Guo Jingbin	Non-executive Director, Chairman	Appointed on 24 June 2013
Mr. Ji Qinying	Executive Director, Chief executive officer	Appointed on 18 July 2013
Mr. Li Jian	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Li Daming	Executive Director, Deputy general manager	Appointed on 18 July 2013
Mr. Zhu Zhongping (note 1)	Former Director, Chief accountant	Appointed on 18 July 2013
Mr. Chan Chi On (alias Derek Chan)	Independent non-executive Director	Appointed on 3 December 2013
Mr. Chan Kai Wing	Independent non-executive Director	Appointed on 3 December 2013
Mr. Lau Chi Wah, Alex	Independent non-executive Director	Appointed on 3 December 2013

Note:

1. Mr. Zhu Zhongping resigned on 28 October 2013.

As at the date of this report, the Company had entered into services agreements with all of the executive Directors and had signed appointment letters with all of the non-executive Director and independent non-executive Directors for a term of not exceeding three years. Such appointment may be terminated by either party by written notice of not less than three months.

Pursuant to the Articles of Association, Mr. Guo Jingbin, Mr. Ji Qinying, Mr. Li Jian, Mr. Li Daming and Mr. Chan Kai Wing shall retire at the 2014 annual general meeting. All the above retiring Directors are eligible for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in this report, none of the Directors had any interests, directly or indirectly, in any contracts of significance regarding the business of the Group entered into with the Company or any of its controlling companies or subsidiaries or fellow subsidiaries during the Reporting Period.

None of the Directors proposed to be re-elected at the forthcoming annual general meeting had or proposed to enter into any service contract with the Company or any of its subsidiaries which would not expire or was not determinable within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates had any interests in any business which competes or is likely to compete (either directly on indirectly) with the business of the Group.

7. REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are reasonably and necessarily incurred for providing services to the Company or performing their duties in relation to the operation of the Company. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 9 and 10 to the financial statements.

THE BOARD AND BOARD COMMITTEES

As at 31 December 2013, the Board comprised seven Directors. The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

The Board has two committees, namely the Audit Committee and the Remuneration and Nomination Committee. Details of the committees are set out in the section headed "Corporate Governance Report".

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, Mr. Zhu Zhongping, the chief accountant of the Company, was appointed as a Director on 18 July 2013 and resigned on 28 October 2013. There is no disagreement between Mr. Zhu and the Board regarding his resignation.

Mr. Ji Qinying, an executive Director and chief executive officer of the Company, served as an executive director of Conch Cement (its A Shares are listed on the Shanghai Stock Exchange (stock code: 600585) and its H Shares are listed on the Stock Exchange (stock code: 00914)) from December 2009 to November 2013. In November 2013, Mr. Ji Qinying resigned from the above position to devote his full attention and time to the Group.

Save as disclosed above, there were no changes in the Directors and senior management of the Company.

7. REPORT OF THE DIRECTORS

MANAGEMENT CONTRACT

Save for the service contracts of the Directors and senior management of the Company, during the Reporting Period, the Company had not entered into any contract with any individual, company or legal entity for the whole or any part of the business of the Company.

CONNECTED TRANSACTIONS

Connected Persons

About 82.9% of the registered capital in CV Investment is registered under the name of SA Conch Group (for the benefit and on behalf of its SA Member Beneficiaries), which is under the control of Mr. Liu Yi, one of the Controlling Shareholders. Accordingly, CV Investment is a connected person of the Company under Rule 14A.11(4) of the Listing Rules.

Conch IID Shanghai is owned as to 70% by CV Investment. Conch Property Management is a wholly owned subsidiary of CV Investment. Accordingly, Conch IID Shanghai and Conch Property Management are connected persons of the Company under Chapter 14A of the Listing Rules.

Kawasaki HI holds 49% equity interest in each of CK Engineering and CK Equipment, both being indirect non-wholly owned subsidiaries of the Company. Accordingly, it is a connected person of the Company under Chapter 14A of the Listing Rules.

CKEM is an entity jointly controlled by Kawasaki HI (which is, as mentioned above, a substantial shareholder of a non-wholly-owned subsidiary of the Company) and Conch Cement, each of them holding 50% equity interests. As CKEM is held as to more than 30% by Kawasaki HI and is an associate of Kawasaki HI, CKEM is a connected person to the Company under Chapter 14A of the Listing Rules.

7. REPORT OF THE DIRECTORS

The respective dates of establishment and principal businesses of Conch IID Shanghai, CV Investment, Conch Property Management, Kawasaki HI and CKEM are as follows:

Name of Connected Person	Date of Establishment	Principal Business
Conch IID Shanghai	20 December 2005	Provision of trading and business advisory services
CV Investment	5 November 2002	Investment holding
Conch Property Management	14 February 2007	Office and residential property management
Kawasaki HI	9 October 1896	Manufacture of a wider range of technological products, including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures
CKEM	21 May 1997	Design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment

Pursuant to the Listing Rules of the Stock Exchange, details of the connected transactions of the Group during the Reporting Period are as follows:

Continuing connected transactions

(1) Transactions with Conch IID Shanghai

The Group entered into a purchase and service agreement with Conch IID Shanghai, pursuant to which the Group purchases equipment, parts and materials (including steel pipes and welding wire) from Conch IID Shanghai in exchange for export agency services.

On 3 December 2013, the Group (through CK Engineering and CK Equipment) entered into a master agreement with Conch IID Shanghai, pursuant to which the Group purchases equipment, parts and materials (including steel pipes and welding wire) from Conch IID Shanghai to be applied to the Group's abrasion resistant plate and surfacing welding business and the production of residual heat boiler. In addition, Conch IID Shanghai provides export agency services to the Group and charges an agency fee of 1.5% of the value of the orders. The agreement is valid from 1 December 2013 to 31 December 2015. The considerations of the orders placed under the agreement were determined with reference to the prevailing market prices of similar products which may be sourced from other independent third parties on arm's length basis and in good faith.

During the Reporting Period, the transactions between the Group and Conch IID Shanghai in relation to the purchase of steel pipes and welding wires amounted to RMB55.39 million and the export service fee amounted to RMB3.70 million. The aggregate actual transaction amount was RMB59.09 million, which did not exceed the annual cap of RMB64.50 million.

7. REPORT OF THE DIRECTORS

(2) Transactions with CV Investment and Conch Property Management

The Group leases office and staff quarters from CV Investment and commissions Conch Property Management to provide property management services.

Lease of office and staff quarters

On 1 July 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into office lease agreements with CV Investment respectively. The leased premises are located at Wuhu Conch International Convention Centre, No. 1011 Jiuhua South Road, Wuhu City and have leasable areas of 7,317 sq.m. and 3,633 sq.m. respectively. The agreed annual rentals are RMB1,232,214 and RMB607,116 respectively. The leases are effective from 1 July 2013 until 30 June 2015.

On 1 June 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into staff quarters lease agreements with CV Investment respectively. Both leased premises are located at Conch Youth Apartment, No. 1011 Jiuhua South Road, Wuhu City and have leasable areas of 2,361 sq.m. respectively. The agreed annual rentals for both lease agreements are RMB368,316 respectively. The leases are effective from 1 June 2013 until 31 May 2015.

Property management services for office, staff quarters and production plant

On 1 July 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into property service agreements for offices with Conch Property Management respectively. The agreed annual fees are RMB246,443 and RMB109,281 respectively. The agreements are effective from 1 July 2013 until 30 June 2015.

On 1 June 2013, CK Engineering and CK Equipment, subsidiaries of the Group, entered into property service agreements for staff quarters with Conch Property Management respectively. The agreed annual fees for both service agreements are RMB56,664 respectively. The agreements are effective from 1 June 2013 until 31 May 2015.

On 1 January 2013, CK Equipment, a subsidiary of the Group, entered into a service agreement for production plants with Conch Property Management. The agreed annual fee is RMB1,277,799. The agreement is effective from 1 January 2013 until 31 December 2013.

The contract amounts of the above leases were determined with reference to market rentals of similar properties in the locality. The historical rentals and rentals to be paid to CV Investment as well as the annual rental caps in connection with the properties under the above lease agreements are comparative to market level of similar properties in the locality and are fair and reasonable.

During the Reporting Period, the aggregate actual transaction amount between the Group and CV Investment in relation to the lease of office and staff quarters and the transactions between the Group and Conch Property Management was RMB4.25 million, which did not exceed the annual cap of RMB4.3 million.

7. REPORT OF THE DIRECTORS

(3) Transactions with Kawasaki HI

The Group and Kawasaki HI entered into several agreements (together, the "Kawasaki Supply Agreements"), pursuant to which the Group has agreed for the year ending 31 December 2013 (i) to supply to Kawasaki HI a coal grinding mill; (ii) to purchase from Kawasaki HI residual heat power equipment and materials; and (iii) to receive design service and labour for technical assistance from Kawasaki HI. Under the Kawasaki Supply Agreements, the aggregate contract value for the year ending 31 December 2013 will not exceed RMB9.6 million.

Under the Kawasaki Supply Agreements, the price or consideration, quantity and specifications of the goods and/or services, the time and place of delivery and other relevant matters have been determined by the parties on arm's length basis and in good faith with reference to the then prevailing market prices of similar products available from independent third parties.

During the Reporting Period, the aggregate actual transaction amount under the Kawasaki Supply Agreements was RMB8.72 million, which did not exceed the annual cap of RMB9.6 million.

(4) Transactions with CKEM

For the year ended 31 December 2013, the Group and CKEM entered into several agreements (together, the "CKEM Supply Agreements"), (i) to purchase pre-heaters from CKEM; and (ii) to purchase from CKEM other equipment, parts and materials for the production of semi-finished or finished products for further sale. Under the CKEM Supply Agreements, the aggregate contract value for the year ending 31 December 2013 will not exceed RMB30.3 million.

Under the CKEM Supply Agreements, the price or consideration, the quantity and specifications of the goods and/or services, the time and place of delivery and other relevant matters have been determined by the parties on arm's length basis and in good faith with reference to the then prevailing market prices of similar products available from independent third parties.

During the Reporting Period, the aggregate actual transaction amount under the CKEM Supply Agreements was RMB24.75 million, which did not exceed the annual cap of RMB30.3 million.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has appointed KPMG, the external auditor of the Company, to review the continuing connected transactions of the Group for the year ended 31 December 2013. KPMG issued its report on 21 March 2014 in a letter to the Board regarding the above issues.

7. REPORT OF THE DIRECTORS

Pursuant to Rule 14A.37 of the Listing Rules, our independent non-executive Directors have reviewed the abovementioned continuing connected transactions and the report from KPMG, and consider that the transactions:

(a) were conducted in the ordinary and usual course of business of the Group;

(b) were conducted on normal commercial terms, or on terms not less favourable from or to independent third parties; and

(c) were conducted on the terms of the relevant agreements which were fair and reasonable and were in the interests of the Shareholders as a whole.

Connected Transaction exempted from reporting, announcement and independent shareholders' approval requirements

(1) Loan from HLGH Investment

On 16 July 2013, the Company and HLGH Investment entered into a loan agreement, whereby HLGH Investment agreed to lend HK$99.1 million to the Company as shareholder's loan for paying up the registered capital of HK$100 million in Conch Venture Green. The loan was received by the Group on 16 July 2013. The loan to the Company does not carry any interest if it is fully repaid by 31 July 2014, and interest at 5% per annum will be incurred if overdue. It is a term of the loan agreement that the loan shall be fully repaid by the Company to HLGH Investment by 31 March 2015. If the Company is listed before such date, the loan shall be fully repaid by the Company to HLGH Investment within 60 days from the date of Listing.

Under Rule 14A.65(4) of the Listing Rules, since the financial assistance provided by HLGH Investment (being a Connected Person) to the Company on normal commercial terms or on more favourable terms and no security over the assets of the Company is granted in respect of the financial assistance, such connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements.

During the Reporting Period, the Company fully repaid the loan of HK$99.1 million to HLGH Investment on 27 December 2013 after the receipt of the proceeds from the Global Offering.

7. REPORT OF THE DIRECTORS

(2) Kawasaki RH Licensing Agreement

On 8 February 2007, CK Engineering and Kawasaki Partner entered into a technical licensing agreement (as supplemented by supplementary agreements dated 27 September 2010, 25 September 2008 and 7 August 2013) (collectively, the "Kawasaki RH Licensing Agreement"), whereby Kawasaki Partner granted CK Engineering an exclusive licence to use the technology knowhow in respect of residual heat power generation systems and the use of technical information such as drawings and technical data calculation software in China. The initial licensing fee was RMB22 million, of which RMB6 million was paid to Kawasaki Partner before the Track Record Period. To reduce the labour cost incurred by Kawasaki Partner in relation to the technical personnel secondment arrangements between the parties in 2010, they agreed to reduce the licensing fee to RMB13.2 million. Having taken into account the RMB6 million paid, the then outstanding licensing fee was RMB7.2 million. In another project carried out by Kawasaki Partner and CK Engineering together, RMB3.6 million was payable by Kawasaki Partner to CK Engineering in 2010. The parties agreed that RMB3.6 million payable by Kawasaki Partner to CK Engineering was settled through the reduction of the outstanding consideration under the Kawasaki RH Licensing Agreement from RMB7.2 million to RMB3.6 million.

Subsequently, licensing fees of RMB1.2 million were paid by CK Engineering to Kawasaki Partner during each of the three years ended 31 December 2012. Since then there was no outstanding licensing fees in respect of the Kawasaki RH Licensing Agreement. The license is valid until 15 October 2026.

Since all licensing fees in respect of the Kawasaki RH Licensing Agreement were fully paid by CK Engineering to Kawasaki HI (a Connected Person) by 31 December 2012, no licensing fees are payable on or after 1 January 2013 until the expiry of such agreement. The agreement is a continuing connected transaction and is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

(3) Kawasaki VM Licensing Agreement

On 7 April 2008, CK Equipment and Kawasaki Partner entered into a technical licensing agreement (the "Kawasaki VM Licensing Agreement"), whereby Kawasaki Partner granted CK Equipment an exclusive licence to use the technology knowhow in respect of vertical mill and the use of technical information such as drawings and technical data calculation software in China. Such license is without licensing fee and is valid until 21 September 2027.

Since no licensing fees is payable by CK Equipment to Kawasaki HI (a Connected Person) in respect of the license during the term of the Kawasaki VM Licensing Agreement, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

For disclosure of connected persons, please refer to note 28 to the financial statements.

RELATED PARTY TRANSACTION

Save as disclosed in the section "Connected Transaction" of this report, no related party transactions were conducted by the Group during the year under review.

In respect of the material related party transactions stated in note 28 to the financial statements, apart from the transactions with Conch Cement, Conch IT Engineering, Conch Design Institute and Conch Holdings, the related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. For the year ended 31 December 2013, the Company complied with the disclosure requirements of Chapter 14A of the Listing Rules.

7. REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") pursuant to a resolution in writing passed by all Shareholders on 3 December 2013 for the purpose of granting options to selected participants as incentives or rewards for their contribution to the Group.

The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Eligible participants of the Share Option Scheme include:

(1) any employee (whether full-time or part-time and including any executive Director but excluding non-executive Director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

(2) any non-executive Directors (including independent non-executive Directors ("INEDS")) of the Company, any of its subsidiaries or any Invested Entity;

(3) any supplier of goods or services to any member of the Group or any Invested Entity;

(4) any customer of any member of the Group or any Invested Entity;

(5) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(7) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(8) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

As at the date of this report, the total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the day on which trading of the shares commence on the Stock Exchange, i.e. 176,500,000 shares, representing 9.78% of the issued share capital of the Company as at the date of this report.

7. REPORT OF THE DIRECTORS

As at the date of this report, no share option had been granted under the Share Option Scheme.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by INEDs (excluding INED(s) who or whose associates is/are the proposed grantee(s) of the options). Where any grant of options to a substantial shareholder or an INED or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million; such further grant of options must be approved by Shareholders in general meeting.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option. The exercise periods of options shall be determined by the Board, which may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination of the Share Option Scheme.

The subscription price under the Share Option Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, and will end on 2 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands (place of incorporation of the Company) which would oblige the Company to offer new shares on a pro-rata basis to Shareholders.

7. REPORT OF THE DIRECTORS

AUDITORS

In 2013, the Company appointed KPMG as its international auditors for the year ended 31 December 2013. The consolidated financial statements have been audited by KPMG. The Company had not changed external auditors since the date of listing until the date of this report.

KPMG retired and offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the auditors of the Company is to be proposed at the forthcoming annual general meeting.

The Board and the Audit Committee had mutual consent on the re-appointment of external auditors of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NON-COMPETE UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment (collectively, the "Covenantors"), all being Controlling Shareholders, entered into a deed of non-compete and other undertakings (the "Non-Compete Undertakings") in favour of the Company on 3 December 2013, pursuant to which each of the Covenantors has irrevocably undertaken to the Company on a joint and several basis that the Covenantors and their associates (individually or taken as a whole) will comply with the terms of the Non-Compete Undertakings during the period when they remain Controlling Shareholders (as defined in the Listing Rules). In addition, each of the Covenantors has also undertaken to make an annual declaration in respect of their compliance with the terms of the Non-Compete Undertakings in the Company's annual report.

The Company has received annual confirmations from the Controlling Shareholders, Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment confirming that, from 19 December 2013 (the date of listing) to 31 December 2013, they have complied with the terms of the Non-Compete Undertakings as described in the Prospectus, and that they or their associates have not or are not likely to be engaged in any business (other than the Group) which, directly or indirectly, competes or may compete with the Group's business.

The INEDs have reviewed the abovementioned undertakings and consider that Mr. Liu Yi, HLGH PTC, HLGH Fixed Investment and HLGH Investment have complied with the Non-Compete Undertakings during the Relevant Period.

By order of the Board
Guo Jingbin
Chairman

Wuhu, China
27 March 2014

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Non-executive Director

Mr. GUO Jingbin (郭景彬), aged 56, was appointed as a Director with effect from 24 June 2013. He is currently a non-executive Director and the Chairman of the Company. He is primarily responsible for overall strategic development of the Group; attending meetings and participating in decision-making processes of the Board to perform duties as a Board member. Mr. Guo graduated from Shanghai Construction Materials College and joined the predecessor of Conch Cement Group in 1980. In July 1998, Mr. Guo received a Master of Business Administration degree from the Post-graduate College of the Social Science Institute of China (中國社會科學院). Mr. Guo joined the Group in December 2009. Mr. Guo held various mid to senior managerial positions including head of automatic measurement department, head of personnel department and deputy plant manager of the former Ningguo Cement Plant and the secretary to the board of and deputy general manager of Conch Cement. He has over 30 years' experience in the building materials industry specializing in corporate strategic planning, marketing planning and general and administration management. He has been a director of CV Investment since February 2011. During such period, he has been given with the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group. He has extensive experience in capital markets. Mr. Guo has been an executive director of Conch Cement since October 1997 and a director of Conch Holdings since January 1997.

Executive Directors

Mr. JI Qinying (紀勤應), aged 57, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and the Chief Executive Officer of the Company. He is also a member of the Remuneration and Nomination Committee. He joined the Group in October 2007. He is primarily responsible for day-to-day management of the Group's business operations. He is also a director of CK Engineering and CK Equipment. Mr. Ji joined the predecessor group of Conch Cement after he graduated from Shanghai Construction Materials College in 1980. He held various leading positions including deputy plant operating director of the Ningguo Cement Plant, general manager of Conch Cement, and general manager and chairman of Conch Profiles. Mr. Ji has been a director of CV Investment since November 2002 and has since then been given the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group. He has become the general manager of CV Investment since May 2013. Mr. Ji has over 30 years' experience in the building materials industry specializing in project investment, construction management, market development, production, general operation and industrial management. Mr. Ji was an executive director of Conch Cement from December 2009 to November 2013. Mr. Ji resigned from such office in November 2013 on his own volition, in order to devote his full attention and time to the Group.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LI Jian (李劍), aged 52, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and a Deputy General Manager of the Company. He joined the Group in March 2011. He is primarily responsible for strategic development of the Group and general operation of Conch Venture Green. He is also a director of Conch Venture Green. He graduated from Anhui Broadcast and Television University (安徽廣播電視大學) majoring in electrical engineering in July 1994. Mr. Li joined a member of the Anhui Conch Group in 1995, and joined the Group in 2011 and was a director of CK Equipment from March 2011 to March 2012. During the period from February 2011 to March 2012, Mr. Li was an assistant to general manager of CV Investment. He has also been a director and deputy general manager of CV Investment since May 2013. Mr. Li has nearly 20 years' experience in the building materials industry specializing in market development, sales network development and management, building materials production and corporate management. He also has extensive experience in the production and operation management in the new building materials industry.

Mr. LI Daming (李大明), aged 48, was appointed as a Director with effect from 18 July 2013. He is currently an executive Director and a Deputy General Manager of the Company. He is also a director of CK Equipment and CK Engineering. He is primarily responsible for energy preservation and environmental protection business including residual heat power generation and waste incineration projects, general operation of CK Engineering and CK Equipment. He graduated from Anhui Mechanical and Electrical College (安徽機電學院) majoring in manufacture of electrical equipment in July 1986. Mr. Li joined the Group in December 2006 and has been a director of CK Equipment since September 2007, a director of CK Engineering since November 2006 and deputy general manager of CK Engineering since December 2006. Mr. Li has nearly 20 years' experience in the building materials industry specializing in plant operation and, equipment and plant system management. He has extensive experience in residual heat power generation and has established good cooperation relationship with Kawasaki HI in developing the residual heat power generation business.

Independent non-executive Directors

Mr. CHAN Chi On (陳志安) (alias Derek CHAN), aged 50, was appointed as an independent non-executive Director with effect from 3 December 2013. He is also the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee. Mr. Chan is currently engaging in corporate finance and securities businesses and serving as the chairman of Halcyon Capital Limited and Halcyon Securities Limited respectively. Mr. Chan graduated from the University of Hong Kong with a Bachelor degree in Social Sciences (majoring in Economics) and from the Hong Kong University of Science & Technology with a Master degree in Business Administration. Mr. Chan worked for the Stock Exchange for seven years, and subsequently served as an executive director in Haitong International Securities Group Limited (previously known as Taifook Securities Group Limited) and head of its corporate finance division for 16 years and was responsible for businesses in listing of enterprises, financing and mergers and acquisition. Mr. Chan is currently an independent non-executive director of Yuexiu REIT Asset Management Ltd. (manager of Yuexiu Real Estate Investment Trust, which is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 405)) and Longfor Properties Co. Ltd. (a company listed on the Main Board of the Stock Exchange (stock code: 960)). He is currently an Adjunct Professor at the School of Accounting and Finance at the Hong Kong Polytechnic University. Mr. Chan has more than 20 years of experience in financial services industry.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Kai Wing (陳繼榮), aged 53, was appointed as an independent non-executive Director with effect from 3 December 2013. He is also a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Chan is currently the managing director of Mandarin Capital Enterprise Limited, a company Mr. Chan founded in 2004, and is specialized in providing financial advisory services to companies in the area of accounting services, merger and acquisition, corporate restructuring, and other corporate finance matters. Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986 and is a fellow member of CPA Australia. From 1988 to 1991, Mr. Chan worked in the audit department of Ernst & Young in Hong Kong. Mr. Chan has been an independent non-executive director of China Assurance Finance Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8090) since December 2011.

Mr. LAU Chi Wah, Alex (劉志華), aged 50, was appointed as an independent non-executive Director with effect from 3 December 2013. He is also a member of the Audit Committee and the Chairman of the Remuneration and Nomination Committee. Mr. Lau has over 25 years of experience in the field of corporate finance and accounting in managing initial public offerings and fund-raising exercises and advising listed companies on mergers and acquisitions, takeovers, buyouts and other corporate transactions. He is currently the managing director of corporate finance with Crosby Securities Limited engaging in securities dealing, assets management and corporate finance. Mr. Lau has been an associate of the Institute of Chartered Accountants in England and Wales since June 1988 and an associate of Hong Kong Institute of Certified Public Accountants since 1990. He graduated from the University of East Anglia in the United Kingdom in July 1984 with a bachelor degree in Science. He also obtained Corporate Finance Qualification from the Institute of Chartered Accountants in England and Wales in 2006. He is currently an independent non-executive director of Man Sang International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 00938)).

Senior Management

Mr. WANG Xuesen (汪學森), aged 49, is a director of HC Port and a deputy general manager of the Company. He is primarily responsible for general operation of HC Port. He graduated from Anhui Finance and Trade College (安徽財貿學院), majoring in statistical science in May 1988. He also obtained a Master of Business Administration from Shanghai Shipping College (上海海運學院) in September 2003. Mr. Wang joined the Group in 2006 and has since then been the general manager of HC Port. He is also the deputy general manager of CV Investment.

Mr. ZHU Zhongping (朱忠平), aged 57, is the chief accountant of the Company. He is primarily responsible for financial reporting and head of finance department of the Company. He graduated from Anhui Finance College (安徽省財政學校) majoring in finance in February 1980. Mr. Zhu participated in the management of the Group in December 2009. Mr. Zhu has been a director of CV Investment since February 2011 and has since then been given with the powers and responsibilities to oversee the business strategy and direction and operations of CK Engineering, CK Equipment, HC Port and also the Conch Cement Group. Mr. Zhu Zhongping was appointed as an executive Director on 18 July 2013 and resigned on 28 October 2013, and there is no disagreement between him and the Board in connection with his resignation.

8. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Joint Company Secretaries

Mr. SHU Mao (疏茂), aged 27, was appointed as the joint company secretary on 3 December 2013. He graduated from Anhui Engineering Science College (安徽工程科技學院) majoring in business administration in 2008. He is the assistant to manager of the office of the board of directors of Conch Holdings and assistant manager of the office of general manager of CV Investment.

Ms. NG Sin Yee, Clare, aged 53, is a director of the Corporate Services Department of Tricor Services Limited. Ms. Ng is a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Before joining the group comprising Tricor Services Limited, Ms. Ng has worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng has more than 27 years of experience in company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong.

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of China Conch Venture Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Conch Venture Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 64 to 134, which comprise the consolidated and Company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, 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 judgement, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

KPMG
Certified Public Accountants

8th Floor, Princes's Building
10 Chater Road
Central, Hongkong

27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013
(Expressed in Renminbi Yuan)

	Note	**2013** **RMB'000**	2012 RMB'000
Turnover	3	**1,591,382**	1,250,435
Cost of sales		**(1,098,429)**	(847,995)
Gross profit		**492,953**	402,440
Other revenue	4	**17,532**	11,523
Other net income/(loss)	5	**1,272**	(292)
Distribution costs		**(27,040)**	(18,585)
Administrative expenses		**(102,718)**	(74,693)
Profit from operations		**381,999**	320,393
Finance costs	6(a)	**(53,602)**	(13,900)
Share of profit of an associate	17	**1,722,804**	1,176,249
Profit before taxation	6	**2,051,201**	1,482,742
Income tax	7(a)	**(72,651)**	(66,302)
Profit for the year		**1,978,550**	1,416,440
Attributable to:			
Equity shareholders of the Company		**1,836,786**	1,299,091
Non-controlling interests		**141,764**	117,349
Profit for the year		**1,978,550**	1,416,440
Earnings per share			
Basic and diluted (RMB)	12	**1.22**	0.87

The notes on pages 71 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013
(Expressed in Renminbi Yuan)

	Note	**2013** **RMB'000**	2012 RMB'000
Profit for the year		**1,978,550**	1,416,440
Other comprehensive income for the year (after tax and reclassification adjustments)	8		
Items that may be reclassified subsequently to profit or loss:			
Share of changes of reserves of an associate, net of tax		**(145,769)**	(72,174)
Exchange differences on translation of financial statements of overseas subsidiaries and the Company		**680**	–
		(145,089)	(72,174)
Total comprehensive income for the year:		**1,833,461**	1,344,266
Attributable to:			
Equity shareholders of the Company		**1,691,697**	1,226,917
Non-controlling interests		**141,764**	117,349
Total comprehensive income for the year		**1,833,461**	1,344,266

The notes on pages 71 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi Yuan)

	Note	**2013 RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment	13	**786,513**	775,569
Lease prepayments	14	**133,100**	110,518
Intangible assets	15	**1,193**	1,601
Interest in an associate	17	**9,806,938**	8,367,150
Non-current portion of trade and other receivables	19	**198,173**	153,193
Finance lease receivable	20	**52,098**	–
Deferred tax assets	24(b)	**50,040**	39,012
		11,028,055	9,447,043
Current assets			
Inventories	18	**184,917**	263,630
Trade and other receivables	19	**1,029,643**	779,557
Finance lease receivable within one year	20	**14,461**	–
Restricted bank deposits		**3,662**	–
Bank deposits with maturity over three months		**17,790**	38,070
Cash and cash equivalents	21(a)	**3,698,141**	276,388
		4,948,614	1,357,645
Current liabilities			
Loans and borrowings	22	**484,804**	390,000
Trade and other payables	23	**1,102,480**	897,849
Income tax payables	24(a)	**8,263**	8,083
		1,595,547	1,295,932
Net current assets		**3,353,067**	61,713
Total assets less current liabilities		**14,381,122**	9,508,756

The notes on pages 71 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi Yuan)

	Note	**2013 RMB'000**	2012 RMB'000
Non-current liabilities			
Loans and borrowings	22	**1,104,000**	30,000
Net assets		**13,277,122**	9,478,756
Capital and reserves	25		
Share capital		**14,347**	245,375
Reserves		**12,786,664**	8,815,618
Equity attributable to equity shareholders of the Company		**12,801,011**	9,060,993
Non-controlling interests		**476,111**	417,763
Total equity		**13,277,122**	9,478,756

Approved and authorised for issue by the board of directors on 27 March 2014.

Ji Qinying
Director

Li Jian
Director

The notes on pages 71 to 134 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi Yuan)

	Note	2013 RMB'000
Non-current assets		
Investment in a subsidiary	16	**62**
Current assets		
Trade and other receivables	19	**81,408**
Cash and cash equivalents	21(a)	**3,090,213**
		3,171,621
Current liabilities		
Trade and other payables	23	**39,694**
Net current assets		**3,131,927**
Net assets		**3,131,989**
Capital and reserves	25(a)	
Share capital		**14,347**
Reserves		**3,117,642**
Total equity		**3,131,989**

Approved and authorised for issue by the board of directors on 27 March 2014.

Ji Qinying
Director

Li Jian
Director

The notes on pages 71 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(Expressed in Renminbi Yuan)

	Note	Share capital RMB'000 (Note 25(c))	Share premium RMB'000 (Note 25(d)(i))	Capital reserve RMB'000 (Note 25(d)(ii))	PRC statutory reserves RMB'000 (Note 25(d)(iii))	Exchange Reserve RMB'000 (Note 25(d)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2012		245,375	–	2,842,999	190,302	–	4,872,631	8,151,307	425,487	8,576,794
Profit for the year		–	–	–	–	–	1,299,091	1,299,091	117,349	1,416,440
Other comprehensive income	8	–	–	(72,174)	–	–	–	(72,174)	–	(72,174)
Total comprehensive income		–	–	(72,174)	–	–	1,299,091	1,226,917	117,349	1,344,266
Appropriation to reserves	25(d)(iii)	–	–	–	54,547	–	(54,547)	–	–	–
Distribution to then equity holder	25(d)(v)	–	–	–	–	–	(192,158)	(192,158)	–	(192,158)
Profit distribution to then equity holders and non-controlling interests		–	–	–	–	–	(125,073)	(125,073)	(125,073)	(250,146)
Balance at 31 December 2012 and 1 January 2013		**245,375**	**–**	**2,770,825**	**244,849**	**–**	**5,799,944**	**9,060,993**	**417,763**	**9,478,756**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,836,786**	**1,836,786**	**141,764**	**1,978,550**
Other comprehensive income	8	**–**	**–**	**(145,769)**	**–**	**680**	**–**	**(145,089)**	**–**	**(145,089)**
Total comprehensive income		**–**	**–**	**(145,769)**	**–**	**680**	**1,836,786**	**1,691,697**	**141,764**	**1,833,461**
Acquisition of non-controlling interests		**1,600**	**–**	**–**	**4,878**	**–**	**739**	**7,217**	**(7,217)**	**–**
Appropriation to reserves	25(d)(iii)	**–**	**–**	**–**	**36,169**	**–**	**(36,169)**	**–**	**–**	**–**
Capitalisation of a subsidiary	25(c)(iii)	**20,400**	**–**	**–**	**(20,400)**	**–**	**–**	**–**	**–**	**–**
Capital injection		**100,000**	**–**	**–**	**–**	**–**	**–**	**100,000**	**–**	**100,000**
Deemed distribution to then equity holder arising from reorganisation	25(d)(vi)	**(367,375)**	**–**	**(773,146)**	**–**	**–**	**–**	**(1,140,521)**	**–**	**(1,140,521)**
Profit distribution to then equity holders and non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(79,309)**	**(79,309)**	**(76,199)**	**(155,508)**
Issuance of shares upon reorganisation	25(c)(iv)	**11,951**	**–**	**–**	**–**	**–**	**–**	**11,951**	**–**	**11,951**
Issuance of shares under initial public offering, net of issuance expenses	25(c)(v)	**2,396**	**3,146,587**	**–**	**–**	**–**	**–**	**3,148,983**	**–**	**3,148,983**
Balance at 31 December 2013		**14,347**	**3,146,587**	**1,851,910**	**265,496**	**680**	**7,521,991**	**12,801,011**	**476,111**	**13,277,122**

The notes on pages 71 to 134 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013
(Expressed in Renminbi Yuan)

	Note	**2013 RMB'000**	2012 RMB'000
Operating activities:			
Cash generated from operations	21(b)	**392,324**	249,104
Income tax paid	24(a)	**(83,499)**	(95,250)
Net cash generated from operating activities		**308,825**	153,854
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(65,569)**	(172,588)
Proceeds from disposal of property, plant and equipment		**77**	50
Payment for lease prepayments		**(25,075)**	–
Proceeds from maturity of bank deposits over three months		**20,280**	–
Dividends received from the associate		**114,170**	–
Interest received		**14,804**	8,988
Net cash generated from/(used in) investing activities		**58,687**	(163,550)
Financing activities:			
Proceeds from loans and borrowings		**767,377**	420,000
Repayment of loans		**(548,573)**	(200,000)
Capital injection from equity shareholder of the Company		**111,951**	–
Profit distribution and paid to then equity holders and non-controlling interests		**(155,508)**	(250,146)
Distribution paid to then equity holders		**(190,521)**	–
Interest paid		**(80,148)**	(730)
Net proceeds from issuance of shares under initial public offering, net of issuance expenses		**3,148,983**	–
Net cash generated from/(used in) financing activities		**3,053,561**	(30,876)
Net increase/(decrease) in cash and cash equivalents		**3,421,073**	(40,572)
Effect of foreign exchange rate changes		**680**	–
Cash and cash equivalents at beginning of the year		**276,388**	316,960
Cash and cash equivalents at end of the year	21(a)	**3,698,141**	276,388

The notes on pages 71 to 134 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

(a) General information and the basis of presentation

The Company was incorporated in the Cayman Islands on 24 June 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") completed on 23 August 2013 to rationalize the Group's structure in preparation for the public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 19 December 2013.

The details of the Reorganisation are set out below.

Prior to August 2013, the Group's businesses are primarily conducted through three consolidated subsidiaries, namely Anhui Conch Kawasaki Engineering Co., Ltd. ("CK Engineering"), Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. ("CK Equipment"), and Yangzhou Haichang Port Industrial Co., Ltd. ("HC Port"), all of which are domestic companies established in the PRC (collectively, the "PRC Subsidiaries"), which were owned by Anhui Conch Venture Investment Co., Ltd. ("CV Investment"). CV Investment also held a 49% equity interest in Anhui Conch Holdings Co., Ltd. ("Conch Holdings"), an associate accounted for under the equity method.

Immediately before the implementation of the Reorganisation, the registered shareholders of CV Investment were four staff associations (namely, Conch Holdings, Ningguo Cement Plant, Baimashan Cement Plant, and Wuhu Conch Profiles and Science Co., Ltd., collectively, the "Staff Associations") and 7 individual owners. Each of the four Staff Associations acts as the trustee on behalf of and for the benefits of their respective staff member beneficiaries.

As part of the Reorganisation, CV Investment established Wuhu Conch Venture Enterprise Limited ("Conch Venture Wuhu"), an investment holding company with registered capital of RMB100,000,000 in the PRC on 31 May 2013. On 13 June 2013, CV investment transferred its 49% equity interest in Conch Holdings to Conch Venture Wuhu at a total consideration of RMB766,445,373, which was settled by payment of RMB16,445,373 in cash and the transfer of bank loan repayment obligation of RMB750,000,000 from CV Investment to Conch Venture Wuhu. On 24 June 2013, Anhui Conch Venture New Energy-saving Building Material Co., Ltd. ("Conch Venture Green") was established as an indirect wholly-owned subsidiary of the Company in the PRC with a registered capital of HK$100,000,000. On 11 July 2013, CV Investment transferred its entire equity interest in Conch Venture Wuhu to Conch Venture Green at a consideration of RMB100,000,000 which was settled by cash on 12 August 2013. In July 2013, CV Investment transferred its entire equity interests in the PRC Subsidiaries to Conch Venture Wuhu at a total consideration of RMB274,075,668. Such consideration was settled by payment of RMB74,075,668 in cash and the transfer of bank loan repayment obligation of RMB200,000,000 from CV Investment to Conch Venture Wuhu.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) General information and the basis of presentation *(Continued)*

Following the completion of the Reorganisation, the staff member beneficiaries of the Staff Associations and the 7 individual owners became the ultimate beneficial owners of the Company in substantially the same proportion of their direct and/or beneficial interests in CV Investment immediately before the Reorganisation.

As the Group's businesses, including the PRC Subsidiaries and its 49% equity interest in Conch Holdings, were directly and/or beneficially owned by the same beneficial owners in substantially the same proportionate ownership interests both before and after the Reorganisation, there was a continuation of risks and benefits to the ultimate beneficial owners. Accordingly, the Reorganisation has been accounted for as a combination of entities and businesses using the merger basis of accounting.

The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group include the results of operations of the PRC Subsidiaries and the Group's share of the results of Conch Holdings as if the current group structure had been in existence throughout 2012 and up to completion of the Reorganisation in 2013. The consolidated statements of financial position of the Group as at 31 December 2012 have been prepared to present the state of affairs of the Group as at those dates as if the current group structure had been in existence at the respective dates. The total considerations of RMB1,140,521,041 for the transfers of PRC Subsidiaries, the 49% equity interest in Conch Holdings and Conch Venture Wuhu from CV Investment to the Group in connection with the Reorganisation, of which RMB766,445,373 was settled in June 2013 and RMB374,075,668 was settled in July 2013 as described above, are recorded within equity as deemed distributions to the then equity holder (i.e. CV Investment) arising from the Reorganisation.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(c) Basis of preparation and presentation

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale or as trading securities (see Note 1(g)) are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Change in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

- IFRS 10, Consolidated financial statements

- IFRS 12, Disclosure of interests in other entities

- IFRS 13, Fair value measurement

- Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended IFRS are discussed below:

Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Change in accounting policies *(Continued)*

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 16 and 17.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 26.

Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gain but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 1(o) or 1(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in a joint venture or associate (see Note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)).

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associate

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(g)).

In the Company's statement of financial position, investments in an associate is stated at cost less impairment losses (see Note 1(k)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicate otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Note 1(u)(iv) and (v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 1(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in the capital reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(k)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Note 1(u)(iv) and (v). Foreign exchange gain and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Plant and buildings	20–30 years
— Machinery and equipment	10–15 years
— Office and other equipment	5 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 1(k)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Software	2–10 years

Both the period and method of amortisation are reviewed annually.

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

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 1(k)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in an associate accounted for under the equity method in the consolidated financial statements (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(k)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— lease prepayments;

— intangible assets; and

— investments in subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 1(u)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are presented as "Receipts in advance" under "Trade and other payables".

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Interest-bearing borrowings

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

(p) Trade and other payables

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

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plans

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(ii) Contract revenue

When the outcome of a contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Revenue from services

Revenue arising from services is recognised when the relevant service is rendered without further performance obligations.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Translation of foreign currencies *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 26 contains information about the assumptions and their risk factors relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy Note 1(m) and 1(u)(ii), revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Depreciation and amortisation

As described in Note 1(h), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 1(i), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Determining whether an arrangement contains a lease

The Group entered into a contract for construction and operation of a power generation equipment, whereby the Group built a set of equipment in 2013 and use to provide the electricity for a period of 6 years. The Group receives an annual minimum amount over the term of the arrangement, plus a variable charge based on the quantity of electricity delivered.

Although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment, because fulfilment of the arrangement is economically dependent on the use of the specific equipment and the arrangement conveys a right to use the asset.

The lease was classified as a finance lease as the lease transfers ownership of the asset to the lessee by the end of the lease term, the present value of the minimum receipts under the arrangement amount to at least substantially all of the fair value of the specific equipment and the leased assets are of such a specialized nature that only the lessee can use without major modifications. At the inception of the arrangement, the present value of the minimum lease receipts relating to the lease element have been estimated based on the fair value of the specific equipment and the imputed finance income on the finance lease asset has been estimated using the implicit rate in the lease.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(iv) Net realisable value of inventories

As described in Note 1(l), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is stated at the lower of cost and net realisable value.

(v) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 **RMB'000**	2012 RMB'000
Energy preservation and environmental protection solutions		
Residual heat power generation	**1,174,970**	923,531
Vertical mill	**284,974**	157,901
Waste incineration	**645**	93,202
Subtotal	**1,460,589**	1,174,634
Port logistics services	**130,793**	75,801
Total	**1,591,382**	1,250,435

The Group's customer base is diversified and includes three customers with whom transactions have exceeded 10% of the Group's revenues in 2013 and 2012. Revenues to these customers amounted to RMB1,129,578,000 and RMB733,319,000 in 2013 and 2012 respectively.

NOTES TO THE FINANCIAL STATEMENTS

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments.

- Energy preservation and environmental protection solutions included manufacturing and sales of residual heat power generation, vertical mill and waste incineration, and maintenance and related after sales services.

- Port logistics services: this segment mainly engages in cargo handling, trans-shipment and warehousing services.

- Green building materials: this segment mainly engages in alternative wall building materials, such as the Cellulose Fiber Cement Sheets, Autoclaved boards and wood wool cement boards and currently in initial expansion stage.

- Investments in construction material companies and other investments: this segment comprises investment in Conch Holdings. Details of the principal activities of Conch Holdings are set out in Note 17.

(i) For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current assets and non-current assets. Segment liabilities include trade and other payables, income tax payables and loans and borrowings managed directly for the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

NOTES TO THE FINANCIAL STATEMENTS

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

The measure used for reporting segment profit is the profit before taxation. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

	Year ended 31 December 2013					
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	Investments RMB'000	Green building materials RMB'000	Unallocated RMB'000	Total RMB'000
Reportable segment revenue	1,460,589	130,793	–	–	–	1,591,382
Reportable segment profit before tax	324,896	44,223	1,722,804	(11,829)	(28,893)	2,051,201
Interest income	13,923	256	–	542	83	14,804
Interest expenses	24,879	16,642	–	12,081	–	53,602
Depreciation and amortisation	11,085	36,495	–	–	–	47,580
Provision for impairment losses	3,352	–	–	–	–	3,352
Reportable segment assets	2,087,338	671,816	9,806,938	320,364	3,090,213	15,976,669
Reportable segment liabilities	1,261,537	410,936	–	1,027,074	–	2,699,547

NOTES TO THE FINANCIAL STATEMENTS

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2012			
	Energy preservation and environmental protection solutions RMB'000	Port logistics services RMB'000	Investments in construction material companies and other investments RMB'000	Total RMB'000
Reportable segment revenue	1,174,634	75,801	–	1,250,435
Reportable segment profit before tax	289,647	16,846	1,176,249	1,482,742
Interest income	8,485	503	–	8,988
Interest expenses	970	12,930	–	13,900
Depreciation and amortisation	13,997	20,409	–	34,406
Reversal of impairment losses	(6,512)	–	–	(6,512)
Reportable segment assets	1,762,940	674,598	8,367,150	10,804,688
Reportable segment liabilities	879,001	446,931	–	1,325,932

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets, interest in an associate and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments, property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

	2013 **RMB'000**	2012 RMB'000
Revenue		
Mainland China	**1,321,382**	835,616
Brazil	**–**	259,100
Thailand	**25,473**	149,248
Japan	**4,840**	6,471
Vietnam	**64,601**	–
Indonesia	**172,837**	–
Other Asia countries	**2,249**	–
	1,591,382	1,250,435

The specified non-current assets are all located in Mainland China in the year.

4 OTHER REVENUE

	The Group		**The Company**	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Interest income	**14,804**	8,988	**82**	–
Government grants	**2,728**	2,535	**–**	–
	17,532	11,523	**82**	–

NOTES TO THE FINANCIAL STATEMENTS

5 OTHER NET (INCOME)/LOSS

	2013 RMB'000	2012 RMB'000
Net loss on disposal of property, plant and equipment	**342**	58
Exchange (gain)/loss	**(1,614)**	234
	(1,272)	292

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
(a) Finance costs:		
Interest on loans and borrowings	**53,602**	17,154
less: interest expense capitalised into construction in progress	**–**	(3,254)
	53,602	13,900

For the year ended 31 December 2013, no borrowing costs have been capitalised . For the year ended 31 December 2012, the borrowing costs had been capitalised at a rate of 4.8%–6.56% per annum.

	2013 RMB'000	2012 RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	**53,078**	42,934
Contributions to defined contribution plans (i)	**6,105**	5,672
	59,183	48,606

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2013 **RMB'000**	2012 RMB'000
Cost of inventories	**830,108**	656,796
Depreciation	**44,438**	31,671
Amortisation of lease prepayments	**2,493**	2,411
Amortisation of intangible assets	**649**	324
Research and development costs	**11,266**	22,730
Impairment losses/(reversal of impairment losses) on trade receivables	**3,352**	(6,512)
Operating lease charges	**1,467**	1,222
Auditors' remuneration*	**6,300**	540

* For the year ended 31 December 2013, auditor remuneration was RMB7,254,000, of which RMB6,300,000 was recognised in profit and loss and RMB954,000 was recognised in equity, respectively.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Income tax in the consolidated income statements represents:

	2013 **RMB'000**	2012 RMB'000
Current tax:		
Provision for PRC income tax for the year	**82,463**	64,526
Under/(over) provision in respect of prior years	**1,216**	(656)
Provision for current income tax (Note 24(a))	**83,679**	63,870
Deferred tax:		
Origination and reversal of temporary differences (Note 24(b))	**(11,028)**	2,432
	72,651	66,302

NOTES TO THE FINANCIAL STATEMENTS

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS *(Continued)*

(a) Income tax in the consolidated income statements represents: *(Continued)*

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as this subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting periods. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC. A subsidiary obtained high technology enterprise certificate and is entitled to the preferential tax rate of 15% since 2008.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013	2012
	RMB'000	RMB'000
Profit before taxation	**2,051,201**	1,482,742
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**518,480**	370,685
PRC tax concessions	**(16,313)**	(8,115)
Additional deduction for research and development costs	**(845)**	(2,029)
Tax effect of non-deductible expense	**814**	479
Under/(over) provision in respect of prior years	**1,216**	(656)
Share of profit of an associate	**(430,701)**	(294,062)
Income tax	**72,651**	66,302

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Share of changes of reserves of an associate, net of tax (i)	**(145,769)**	(72,174)	**–**	–
Exchange differences on translation of financial statements of overseas subsidiaries and the Company	**680**	–	**(52)**	–
Net movement during the year recognised in other comprehensive income	**(145,089)**	(72,174)	**(52)**	–

(i) Share of changes of reserves of an associate represented the share of changes in fair value of available-for-sale equity securities of the associate.

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2013

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	–	–	–	–	–
Mr. Li Jian (i)	–	–	–	–	–
Mr. Li Daming (ii)	–	165	505	26	696
Non-executive Director:					
Mr. Guo Jingbin (i)	–	–	–	–	–
Independent non-executive Director:					
Mr. Chan Chi On	12	–	–	–	12
Mr. Chan Kai Wing	12	–	–	–	12
Mr. Lau Chi Wah	12	–	–	–	12
	36	165	505	26	732

NOTES TO THE FINANCIAL STATEMENTS

9 DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 December 2012

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Total RMB'000
Executive Directors:					
Mr. Ji Qinying (i)	–	–	–	–	–
Mr. Zhu Zhongping (iii)	–	–	–	–	–
Mr. Li Jian (i)	–	–	–	–	–
Mr. Li Daming (ii)	–	167	360	22	549
Non-executive Director:					
Mr. Guo Jingbin (i)	–	–	–	–	–
	–	167	360	22	549

(i) During the year, remuneration of these directors was RMB1,538,724 for the year ended 31 December 2013 (2012: RMB1,449,000). These remuneration were paid by Conch Holdings and its subsidiaries for their directorship in these companies during the years.

(ii) During the year, remuneration of this director was settled by a subsidiary for his directorship in that subsidiary.

(iii) Mr. Zhu Zhongping resigned as an executive director of the Company on 28 October 2013. Remuneration of this director was RMB942,000 for the year ended 31 December 2013 (2012: RMB1,125,000). The remuneration of this director was settled by a subsidiary of CV investment for his directorship in that company.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the year, one is a director of the Company whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of the other four individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	**810**	672
Discretionary bonuses	**1,580**	1,168
Contributions to retirement benefit schemes	**130**	90
	2,520	1,930

The emoluments of the above individuals are within the band of Nil to HK$1,000,000.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB28,893,000 which has been dealt with in the financial statements of the Company (see Note 25(a)).

Details of dividends paid and payable to equity shareholders of the Company are set out in Note 25(b).

NOTES TO THE FINANCIAL STATEMENTS

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,836,786,000 (2012: RMB1,299,091,000) and the weighted average of 1,509,795,000 ordinary shares (2012: 1,500,000,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013 **'000**	2012 '000
Effect of issuance of shares upon reorganisation	**1,500,000**	1,500,000
Effect of shares issued by initial public offering on 19 December 2013	**9,261**	–
Effect of shares issued by exercise of over-allotment option on 27 December 2013	**534**	–
Weighted average number of ordinary shares at 31 December	**1,509,795**	1,500,000

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during at the years ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and Buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2012	385,334	83,309	4,384	6,794	195,590	675,411
Additions	18,033	73,106	1,616	343	82,704	175,802
Transfer from construction in progress	133,074	25,396	–	–	(158,470)	–
Disposals	–	(76)	(263)	–	–	(339)
At 31 December 2012 and 1 January 2013	536,441	181,735	5,737	7,137	119,824	850,874
Additions	6,359	32,615	629	–	16,198	55,801
Transfer from construction in progress	55,939	58,362	–	–	(114,301)	–
Disposals	–	(448)	(177)	(474)	–	(1,099)
At 31 December 2013	598,739	272,264	6,189	6,663	21,721	905,576
Accumulated depreciation:						
At 1 January 2012	(27,724)	(11,029)	(2,326)	(2,786)	–	(43,865)
Charge for the year	(18,079)	(11,519)	(921)	(1,152)	–	(31,671)
Written back on disposals	–	10	221	–	–	231
At 31 December 2012 and 1 January 2013	(45,803)	(22,538)	(3,026)	(3,938)	–	(75,305)
Charge for the year	(22,840)	(19,838)	(865)	(895)	–	(44,438)
Written back on disposals	–	116	152	412	–	680
At 31 December 2013	(68,643)	(42,260)	(3,739)	(4,421)	–	(119,063)
Net book value:						
At 31 December 2012	490,638	159,197	2,711	3,199	119,824	775,569
At 31 December 2013	530,096	230,004	2,450	2,242	21,721	786,513

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for plant and buildings. The aggregate carrying amount of such plant and buildings of the Group as at 31 December 2013 was approximately RMB355,908,000. The directors are of the opinion that the Group is entitled to legally occupy or use these plant and buildings.

NOTES TO THE FINANCIAL STATEMENTS

14 LEASE PREPAYMENTS

	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	**120,577**	120,577
Additions	**25,075**	–
At 31 December	**145,652**	120,577
Accumulated amortisation:		
At 1 January	**(10,059)**	(7,648)
Charge for the year	**(2,493)**	(2,411)
At 31 December	**(12,552)**	(10,059)
Net book value:		
At 31 December	**133,100**	110,518

Lease prepayments represent cost of land use rights in respect of land located in the PRC with lease period of 50 years when granted.

As at the date of this report, the Group was in the process of applying for registration of the ownership certificates for certain of its land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2013 was approximately RMB36,791,000. The directors are of the opinion that the Group is entitled to legally occupy or use these land.

NOTES TO THE FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	2013 RMB'000	2012 RMB'000
Cost:		
At 1 January	**3,125**	3,085
Additions	**241**	40
At 31 December	**3,366**	3,125
Accumulated amortisation:		
At 1 January	**(1,524)**	(1,200)
Charge for the year	**(649)**	(324)
At 31 December	**(2,173)**	(1,524)
Net book value:		
At 31 December	**1,193**	1,601

16 INVESTMENT IN A SUBSIDIARY

	The Company 2013 RMB'000
Unlisted shares, at cost	**62**
Less: impairment	**–**
	62

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN A SUBSIDIARY *(Continued)*

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

		Proportion of ownership interest			
Name of companies (i)	**Registered and paid up capital**	**Group' effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
China Conch Venture Holdings International Limited ("Conch Venture BVI") (中國海創控股國際有限公司)	USD10,000	100%	100%	–	Investment holding
China Conch Venture Holdings (HK) Limited ("Conch Venture HK") (中國海創控股(香港)有限公司)	HK$10,000	–	–	100%	Investment holding
Conch Venture Green (安徽海創新型節能建築材料有限責任公司)	HK$100,000,000	–	–	100%	Manufacturing and investment holding
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. ("Bozhou Conch Venture Green") (亳州海創新型節能建築材料有限責任公司)	RMB50,000,000	–	–	100%	Manufacturing and sales of new energy-saving building material
Conch Venture Wuhu (蕪湖海創實業有限責任公司)	RMB100,000,000	–	–	100%	Investment holding
Pingliang Conch Venture Environment Engineering Co., Ltd. ("Conch Venture Environment") (平涼海創環境工程有限責任公司)	RMB20,000,000	–	–	100%	Garbage disposal and sludge residue recycling
CK Engineering (安徽海螺川崎工程有限公司)	RMB100,000,000	–	–	51% (ii)	Design, sales, installation of energy preservation and environmental protection equipment and after sales service
CK Equipment (安徽海螺川崎節能設備製造有限公司)	RMB100,000,000	–	–	51% (ii)	Design, sales installation of energy preservation and environmental protection equipment and after sales service
HC Port (揚州海昌港務實業有限責任公司)	RMB220,500,000	–	–	75%	Cargo handling

(i) Except for the Company, Conch Venture BVI and Conch Venture HK, the English translation of the companies' names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) For the period from 1 January 2012 to 31 December 2012, the Group held a 50% equity interests in each of CK Engineering and CK Equipment. On 19 June 2013, the Group acquired an additional 1% equity interest in CK Engineering and CK Equipment from Kawasaki Heavy Industries Ltd., the minority shareholder, with the effect from 1 January 2013. After the completion of this acquisition, the Group held 51% equity interests in CK Engineering and CK Equipment.

(iii) Except for Conch Venture BVI and Conch Venture HK which are incorporated in British Virgin Islands and Hong Kong respectively, the above entities are incorporated and operated in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT IN A SUBSIDIARY *(Continued)*

The following table lists out the information relating to CK Engineering, CK Equipment and HC Port, the only subsidiaries of the Group which have material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013	2012
	RMB'000	RMB'000
NCI percentage	**25%–49%**	25%–50%
Current assets	**1,673,095**	1,411,942
Non-current assets	**1,135,402**	1,049,336
Current liabilities	**(1,419,617)**	(1,333,491)
Non-current liabilities	**(134,003)**	(30,050)
Net assets	**1,254,877**	1,097,737
Carrying amount of NCI	**552,279**	491,951
Revenue	**1,965,215**	1,468,277
Profit for the year	**312,755**	234,749
Total comprehensive income	**312,755**	234,749
Profit allocated to NCI	**145,279**	114,226
Dividend paid to NCI	**76,199**	125,073
Cash flows from operating activities	**352,347**	183,955
Cash flows from investing activities	**(81,452)**	(193,651)
Cash flows from financing activities	**(222,631)**	(30,876)

17 INTEREST IN AN ASSOCIATE

	2013	2012
	RMB'000	RMB'000
Share of net assets	**9,806,938**	8,367,150

NOTES TO THE FINANCIAL STATEMENTS

17 INTEREST IN AN ASSOCIATE *(Continued)*

The particulars of the associate are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Conch Holdings	Incorporated	The PRC	RMB800,000,000	49%	Investment Holding

The particulars of Conch Holdings's investment holdings as at 31 December 2013 are as follows:

Name of investee	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Ownership interest held by Conch Holdings	Principal activities
Anhui Conch Cement Co., Ltd. ("Conch Cement")	Incorporated	The PRC	5,299,302,579 ordinary shares of RMB1 each	36.78%	Manufacture and sale of cement related products
Wuhu Conch Profiles and Science Co., Ltd. ("Conch Profiles")	Incorporated	The PRC	360,000,000 ordinary shares of RMB1 each	32.07%	Manufacture of new chemical and building materials
Anhui Conch Building Materials Design and Research Institute ("Conch Design Institute")	Incorporated	The PRC	RMB60,000,000	100%	Design and contract cement/light steel construction
Yingde Conch International Hotel Co., Ltd.	Incorporated	The PRC	RMB63,800,000	100%	Hotel service
Wuhu Conch International Hotel Co., Ltd.	Incorporated	The PRC	RMB68,500,000	100%	Hotel service
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering")	Incorporated	The PRC	RMB5,000,000	100%	Computer system design and development

17 INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013 **RMB'000**	2012 RMB'000
Gross amounts of the associate		
Current assets	**5,321,932**	7,675,349
Non-current assets	**22,523,136**	19,775,827
Current liabilities	**(7,790,517)**	(10,345,739)
Non-current liabilities	**(40,392)**	(29,620)
Equity	**20,014,159**	17,075,817
Revenue	**309,088**	301,144
Profit after tax for the year	**3,515,926**	2,400,508
Other comprehensive income	**(297,488)**	(147,293)
Total comprehensive income	**3,218,438**	2,253,215
Dividend received from the associate	**114,170**	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**20,014,159**	17,075,817
Group's effective interest	**49%**	49%
Group's share of net assets of the associate	**9,806,938**	8,367,150
Carrying amount in the consolidated financial statements	**9,806,938**	8,367,150

18 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2013 **RMB'000**	2012 RMB'000
Raw materials	**95,198**	107,031
Work in progress	**28,710**	21,820
Finished goods	**61,009**	117,457
Goods in transit	**–**	17,322
	184,917	263,630

No inventory provision was made as at 31 December 2013 (2012: Nil). The inventories as at 31 December 2013 and 2012 were stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

18 INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013	2012
	RMB'000	RMB'000
Carrying amount of inventories sold	**830,108**	656,796

19 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**537,104**	365,851	**–**	–
Gross amounts due from customers for construction contract work	**74,803**	94,738	**–**	–
Bills receivable	**238,467**	136,071	**–**	–
Less: allowance for doubtful debts	**(37,172)**	(33,820)	**–**	–
Trade and bills receivables	**813,202**	562,840	**–**	–
Deposits and prepayments	**19,738**	56,548	**–**	–
Other receivables	**45,522**	62,687	**–**	–
Amounts due from third parties	**878,462**	682,075	**–**	–
Amounts due from subsidiaries	**–**	–	**81,408**	–
Amounts due from related parties (Note 28(c))	**151,181**	97,482	**–**	–
	1,029,643	779,557	**81,408**	–
Non-current portion of gross amounts due from customers for construction contract work	**198,173**	153,193	**–**	–
Total current and non-current trade and other receivables	**1,227,816**	932,750	**81,408**	–

19 TRADE AND OTHER RECEIVABLES *(Continued)*

Except for the non-current portion of gross amounts due from customers for construction contract work, all of the trade and other receivables are expected to be recovered within one year.

As at 31 December 2013, the Group endorsed the undue bills receivable of RMB63,549,000, (2012: RMB80,735,000) to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and the payables to suppliers in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2013, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB63,549,000 (2012: RMB80,735,000) which the Group endorsed to its suppliers. These undue bills receivable were due within 6 months.

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

(a) Ageing analysis

As of the end of the reporting periods, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2013 **RMB'000**	2012 RMB'000
Within 1 year	**727,954**	452,164
After 1 year but within 2 years	**72,032**	89,419
After 2 years but within 3 years	**7,869**	6,901
After 3 years but within 5 years	**5,347**	14,356
	813,202	562,840

Details of the Group's credit policy are set out in Note 26(a).

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see Note 1(k)(i)).

The movement in the allowance for doubtful debts during the reporting periods, including both specific and collective loss components, is as follows:

	2013 **RMB'000**	2012 RMB'000
At the beginning of the year	**33,820**	40,332
Impairment losses recognised/ (reversal of impairment losses)	**3,352**	(6,512)
At the end of the year	**37,172**	33,820

The Group's trade and other receivables of RMB735,000 was individually determined to be impaired by the management at 31 December 2013 (2012: Nil).

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2013 **RMB'000**	2012 RMB'000
Current	**508,904**	332,703
Less than 1 year past due	**277,133**	195,711
1 to 2 years past due	**25,546**	34,426
2 to 3 years past due	**1,619**	–
Total amount past due	**304,298**	230,137
	813,202	562,840

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables and bills receivable *(Continued)*

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) Construction contracts

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2013 is RMB332,869,100 (2012: RMB349,637,000). The gross amounts due from customers from contract work are expected to be recovered upon contract term.

As at 31 December 2013, included in trade receivables are retention receivables in respect of construction contracts of RMB8,230,000 (2012: RMB28,174,000). These balances are expected to be recovered within one to two years.

20 FINANCE LEASE RECEIVABLE

At 31 December 2013, the Group had finance lease receivable as follows:

	Present value of the minimum lease receipts RMB'000	**Total minimum lease receipts** RMB'000
Within 1 year	14,461	16,200
After 1 year but within 2 years	12,909	16,200
After 2 years but within 5 years	30,992	48,600
After 5 years	8,197	16,200
	66,559	97,200
Less: total future interest income		(30,641)
Present value of lease receivable		66,559

NOTES TO THE FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash in hand	**1**	7	**–**	–
Cash at bank	**3,698,140**	276,381	**3,090,213**	–
	3,698,141	276,388	**3,090,213**	–

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2013** **RMB'000**	2012 RMB'000
Profit before taxation		**2,051,201**	1,482,742
Adjustments for:			
Depreciation	6(c)	**44,438**	31,671
Amortisation of lease prepayments	6(c)	**2,493**	2,411
Amortisation of Intangible assets	6(c)	**649**	324
Impairment loss/(reversal of impairment losses) on trade receivables	6(c)	**3,352**	(6,512)
Net loss on disposal of property, plant and equipment	5	**342**	58
Finance costs	6(a)	**53,602**	13,900
Interest income	4	**(14,804)**	(8,988)
Share of profit of an associate		**(1,699,727)**	(1,171,495)
Operating profit before changes in working capital		**441,546**	344,111
Decrease/(increase) in inventories		**78,713**	(38,524)
Increase in restricted bank deposits		**(3,662)**	–
(Increase)/decrease in trade and other receivables		**(364,977)**	40,596
Decrease/(increase) in trade and other payables		**240,704**	(97,079)
Cash generated from operations		**392,324**	249,104

NOTES TO THE FINANCIAL STATEMENTS

22 LOANS AND BORROWINGS

	2013 RMB'000	2012 RMB'000
Within one year		
Bank Loans	**484,804**	90,000
Loans from related party (Note 28(c))	**–**	300,000
Subtotal	**484,804**	390,000
After one year but within two years		
Bank loans	**904,000**	30,000
After two year but within five years		
Bank loans	**200,000**	–
Subtotal	**1,104,000**	30,000
Total	**1,588,804**	420,000

(i) As at 31 December 2013, bank loans of RMB1,560,000,000 were denominated in RMB from PRC banks (2012: RMB120,000,000). Bank loan of RMB28,804,000 were denominated in USD from overseas bank (2012: Nil).

(ii) As at 31 December 2013, the bank loans of RMB420,000,000 (2012: RMB120,000,000) bore fixed annual interest rates ranged from 5.4% to 6.15% (2012: 4.8% to 6.15%). As at 31 December 2013, the bank loans of RMB1,168,804,000 (2012: Nil) bore variable annual interest rates ranged from 2.10% to 6.15%.

(iii) As at 31 December 2012, loans from related party bore variable interest rate ranged from 6% to 6.56%.

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**491,427**	311,811	**–**	–
Bills payable	**95,448**	137,314	**–**	–
	586,875	449,125	**–**	–
Receipts in advance	**35,896**	46,587	**–**	–
Other payables and accruals	**174,039**	120,828	**–**	–
Amounts due to third parties	**796,810**	616,540	**–**	–
Amounts due to subsidiaries	**–**	–	**39,694**	–
Amounts due to related parties (Note 28(c))	**305,670**	281,309	**–**	–
Trade and other payables	**1,102,480**	897,849	**39,694**	–

As at 31 December 2013, certain bills payable were secured by the following assets of the Group:

	2013	2012
	RMB'000	RMB'000
Restricted bank deposits	**3,662**	–

An ageing analysis of trade and bills payables of the Group is as follows:

	2013	2012
	RMB'000	RMB'000
Within 1 year	**586,875**	449,125

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payables in the consolidated statement of financial position represent:

	2013 **RMB'000**	2012 RMB'000
Balance at beginning of the year	**8,083**	39,463
Provision for current income tax for the year (Note 7(a))	**83,679**	63,870
Payments during the year	**(83,499)**	(95,250)
Income tax payables at the end of the year	**8,263**	8,083

(b) Deferred tax assets and liabilities recognised:

(i) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the reporting periods are as follows:

	Unrealised profit upon elimination RMB'000	**Impairment losses on trade receivables** RMB'000	**Taxable losses carried forward** RMB'000	**Total** RMB'000
Deferred tax arising from:				
At 31 December 2011 and 1 January 2012	31,361	10,083	–	41,444
Charged to profit or loss	(804)	(1,628)	–	(2,432)
At 31 December 2012 and 1 January 2013	**30,557**	**8,455**	**–**	**39,012**
Credited to profit or loss	**2,452**	**766**	**7,810**	**11,028**
At 31 December 2013	**33,009**	**9,221**	**7,810**	**50,040**

(ii) Deferred tax liabilities not recognised:

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2013 in respect of undistributed earnings of RMB7,521,991,000 because it is probable that they will not be distributable to the holding company outside the PRC in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (Note 25(c))	Share premium RMB'000 (Note 25(d)(ii))	Exchange reserves RMB'000 (Note 25(d)(iv))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2013	–	–	–	–	–
Loss for the year	–	–	–	(28,893)	(28,893)
Other comprehensive income	–	–	(52)	–	(52)
Issuance of shares upon reorganisation	11,951	–	–	–	11,951
Issuance of shares by initial public Offering and exercise of over-allotment option, net of issuance expenses	2,396	3,146,587	–	–	3,148,983
Balance at 31 December 2013	14,347	3,146,587	(52)	(28,893)	3,131,989

(b) Dividends

Pursuant to a resolution passed at the Directors' meeting on 27 March 2014, a final dividend of HK$0.25 per share totalling HK$451,188,000 (equivalent to approximately RMB356,528,000) was proposed for shareholders' approval (2012: Nil). The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2013.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

	No. of shares	Amount
	'000	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 December 2013	**15,000,000**	**150,000**

		Amount	
	No. of shares		Equivalent to
	'000	HK$'000	RMB'000
Issued and fully paid:			
At 1 January 2013	**–**	**–**	**–**
Issuance of shares upon reorganisation	**1,500,000**	**15,000**	**11,951**
Issuance of shares by initial public offering and exercise of over-allotment option	**304,750**	**3,048**	**2,396**
At 31 December 2013	**1,804,750**	**18,048**	**14,347**

(ii) Elimination of paid-in capital on reorganisation

Share capital presented in the consolidated statement of changes in equity at 1 January 2012 and 2013 represented the combined amount of paid-in capital of the entities comprising the Group.

(iii) Capitalisation of a subsidiary

Pursuant to the resolution by the board directors of CKEM on 28 March 2013, it was resolved to increase its registered capital by RMB40,000,000 through transferring from its general reserve fund and enterprise expansion fund. The Group's share of such increase in registered capital was RMB20,400,000.

(iv) Issuance of shares upon reorganisation

The Company was incorporated on 24 June 2013 with an authorised and issued share capital of HK$15,000,000 divided into 1,500,000,000 ordinary shares of HK$0.01 each.

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

(v) Issuance of shares under public offering

On 19 December 2013, the Company issued 265,000,000 shares with a par value of HK$0.01, at a price of HK$13.56 per share by initial public offering. Further to the exercise of over-allotment option on 27 December 2013, the Company issued additional 39,750,000 shares to the investors. Net proceeds from such issues amounted to HK$4,005,168,000 (equivalent to approximately RMB3,148,983,000), out of which RMB2,396,000 and RMB3,146,587,000 were recorded in share capital and share premium respectively.

(d) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregated amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2013 was RMB3,117,642,000.

(ii) Capital reserve

Capital reserves as at 31 December 2012 and 2013 represent the share of non-distributable reserves of an associate at the respective dates.

(iii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

Exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of operations outside mainland China.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(v) Distribution to then equity holder

Distribution to the then equity holder during the year 2012 represents the dividend declared by Conch Holdings, which is the Group's associate. The amounts were paid to CV Investment, the then equity holder of the 49% interest in Conch Holdings. For purposes of the consolidated financial statements, the dividend received by CV Investment had been recorded as a reduction of the carrying value of the investment in an associate and a distribution to then equity holder. The amounts are accounted for as non-cash transactions and excluded from the Group's consolidated cash flow statements during that year.

(vi) Deemed distribution to then equity holder arising from reorganisation comprise the followings:

— the consideration RMB766,445,373 for the transfer of 49% equity interest in Conch Holdings held by CV Investment to Conch Venture Wuhu in connection with the reorganisation. Such consideration was settled by the bank loans repayment obligation of RMB750,000,000 transferred from CV Investment and cash payment of RMB16,445,373, and was accounted for as a deemed distribution to then equity holder arising from reorganisation; and

— the consideration of RMB374,075,668 for the transfer of entire equity interest in Conch Venture Wuhu, CK Engineering, CK Equipment and HC Port held by CV Investment to Conch Venture Green and Conch Venture Wuhu respectively in connection with the reorganisation. Such consideration was settled by payment of RMB174,075,668 in cash and the transfer of bank loan repayment obligation of RMB200,000,000 from CV investment to Conch Venture Wuhu, and was accounted for as a deemed distribution to then equity holder arising from reorganisation.

(vii) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. The Group defines gearing ratio as total liabilities divided by total assets.

NOTES TO THE FINANCIAL STATEMENTS

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(vii) Capital risk management *(Continued)*

The Group's strategy was to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2013 and 2012 was 16.90% and 12.27%.

	2013 **RMB'000**	2012 RMB'000
Total liabilities	**2,699,547**	1,325,932
Total assets	**15,976,669**	10,804,688
Gearing ratio	**16.90%**	12.27%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing, except for the retention receivables which are due within one to two years. Debtors with balances that are more than 30 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 12% (2012: 10%) and 31% (2012: 25%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	At 31 December 2013				
	Contractual undiscounted cash outflow				
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	**617,786**	**1,079,899**	**43,666**	**1,741,351**	**1,588,804**
Trade and other payables	**1,102,480**	**–**	**–**	**1,102,480**	**1,102,480**
	1,720,266	**1,079,899**	**43,666**	**2,843,831**	**2,691,284**

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	At 31 December 2012				
	Contractual undiscounted cash outflow				
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	406,244	31,743	–	437,987	420,000
Trade and other payables	897,849	–	–	897,849	897,849
	1,304,093	31,743	–	1,335,836	1,317,849

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from loans and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's cash at bank and interest-bearing borrowings, and their interest rates as at 31 December 2013 and 2012 are set out as follows:

	2013		2012	
	Interest rate %	**Total RMB'000**	Interest rate %	Total RMB'000
Fixed rate:				
Bank loans and borrowings	**5.40%–6.15%**	**(420,000)**	4.80%–6.15%	(120,000)
Variable rate:				
Cash at bank	**0.35%–1.49%**	**3,698,140**	0.35%–1.15%	276,381
Bank loans and borrowings	**2.10%–6.5%**	**(1,168,804)**	–	–
Loans from a related party	**–**	**–**	6%–6.56%	(300,000)
		2,529,336		(23,619)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB6,698,000 (2012: decreased/increased by the Group's profit after tax and retained profits RMB34,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expenses or income of such changes in interest rates. The analysis is performed on the same basis for 2012.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars, Euro and Japanese Yen. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of each of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	At 31 December 2013					
	The Group				**The Company**	
	USD RMB'000	**HK$ RMB'000**	**JPY RMB'000**	**Total RMB'000**	**HK$ RMB'000**	**Total RMB'000**
Trade and other receivables	**10,493**	**–**	**346**	**10,839**	**81,408**	**81,408**
Trade and other payables	**(3,728)**	**(26,182)**	**–**	**(29,910)**	**(39,694)**	**(39,694)**
Cash and cash equivalents	**4**	**3,093,146**	**–**	**3,093,150**	**3,090,213**	**3,090,213**
Net exposure arising from recognised assets and liabilities	**6,769**	**3,066,964**	**346**	**3,074,079**	**3,131,927**	**3,131,927**

	At 31 December 2012					
	The Group				The Company	
	USD RMB'000	HK$ RMB'000	JPY RMB'000	Total RMB'000	HK$ RMB'000	Total RMB'000
Trade and other receivables	65,041	–	2	65,043	–	–
Trade and other payables	(14,093)	–	(13,948)	(28,041)	–	–
Cash and cash equivalents	4,861	–	34	4,895	–	–
Net exposure arising from recognised assets and liabilities	55,809	–	(13,912)	41,897	–	–

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure as at 31 December 2012 and 2013 has changed at those dates, assuming all other risk variables remained constant.

	2013		2012	
	Increase in foreign exchange rate	**Increase (decrease) in profit after tax and retained earnings RMB'000**	Increase in foreign exchange rate	Increase (decrease) in profit after tax and retained earnings RMB'000
USD	**1%**	**49**	1%	419
HK$	**1%**	**30,527**	1%	–
JPY	**1%**	**3**	1%	(116)
		30,579		303

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for the year ended 2013 and 2012.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

27 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	2013 RMB'000	2012 RMB'000
Contracted for	**69,863**	53,796
Authorised but not contracted for	**163,142**	1,121
	233,005	54,917

(b) Operating lease commitments

As at 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**2,603**	1,692
After 1 year but within 2 years	**1,224**	610
After 2 years but within 5 years	**–**	305
	3,827	2,607

The Group leases a number of properties under operating leases in respect of offices. The leases typically run for a period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

28 MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of party [(i)]	Relationship
CV Investment 安徽海螺創業投資有限責任公司	Fellow subsidiary and then equity holder
Kawasaki Heavy Industry Ltd. (“Kawasaki HI”) 川崎重工業株式会社	Investor of CK Engineering and CK Equipment
Conch Cement 安徽海螺水泥股份有限公司	(a) Some directors of Conch Cement are also directors and shareholders of the Company; (b) the employees (primarily middle and senior management) of Conch Cement are the beneficial owners of the Company; (c) Conch Cement was the largest customer of the Group
Shanghai Conch International Investment Development Co., Ltd. (“Conch IID Shanghai”) 上海海螺國際投資發展有限公司	Subsidiary of CV Investment
Wuhu Conch Venture Property Management Co., Ltd. (“Conch Property Management”) 蕪湖海螺物業管理有限公司	Subsidiary of CV Investment
Conch Design Institute 安徽海螺建材設計研究院	Subsidiary of Conch Holdings
Conch IT Engineering 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Design Institute
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. (“CKEM”) 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement and Kawasaki HI

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 is as follows:

	2013 **RMB'000**	2012 RMB'000
Short-term employee benefits	**670**	527
Post-employment benefits	**26**	22
	696	549

(b) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2013 **RMB'000**	2012 RMB'000
Sales of goods		
Conch Cement	**679,364**	252,404
Kawasaki HI	**1,925**	36
CKEM	**504**	–
	681,793	252,440
Service rendered		
Conch Cement	**119,513**	78,295
Kawasaki HI	**268**	422
	119,781	78,717

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

	2013 RMB'000	2012 RMB'000
Purchase of Goods		
Conch Cement	**7,067**	4,465
Conch IT Engineering	**8,903**	6,451
Kawasaki HI	**3,059**	18,149
Conch IID Shanghai	**55,388**	60,512
CKEM	**24,644**	14,084
Conch Design Institute	**28**	–
	99,089	103,661
Services received		
Conch Cement	**504**	2,193
Conch Design Institute	**6,634**	9,514
Conch IT Engineering	**3,397**	3,288
Conch IID Shanghai	**3,707**	4,686
CV Investment	**2,960**	2,856
Kawasaki HI	**3,737**	11,033
Conch Property Management	**1,341**	1,415
CKEM	**108**	–
Conch Holdings	**62**	–
	22,450	34,985
Interest paid		
CV Investment	**7,886**	–
Proprietary technology usage fee		
Kawasaki HI	**–**	1,200
Unsecured loans borrowed from		
CV Investment	**80,000**	300,000

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

	2013 **RMB'000**	2012 RMB'000
Amounts due from		
Conch Cement	**150,925**	97,343
Conch IID Shanghai	**256**	139
	151,181	97,482
Amounts due to		
Conch Cement	**234,515**	207,884
Kawasaki HI	**3,682**	11,782
Conch IID Shanghai	**18,977**	15,808
Conch IT Engineering	**6,860**	5,384
CKEM	**28,947**	8,838
Conch Design Institute	**12,689**	5,035
CV Investment	**–**	26,578
	305,670	281,309
Unsecured loans due to		
CV Investment	**–**	300,000

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

(d) Guarantee issued by related party

	2013 **RMB'000**	2012 RMB'000
Guarantee issued by related party in respect of bank loans borrowed by the Group		
CV Investment	**–**	50,000

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the directors proposed a final dividend. Further details are disclosed in Note 25(b).

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the IASB has issued a few of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities	1 January 2014
Amendments to IAS 32, Offsetting financial assets and financial liabilities	1 January 2014
Amendments to IAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting	1 January 2014
IFRIC 21, Levies	1 January 2014
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
IFRS 14, Regulatory deferral accounts	1 January 2016

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.