CNBM

China National Building Material Company Limited *

(Stock Code：3323)

2009 ANNUAL REPORT

*For identification only

Financial and Business Highlights

	As at 31 December 2009	2008
	(RMB in millions)	
Bank balances and cash	**3,844**	3,726
Total assets	**77,009**	58,904
Equity attributable to equity holders of the Company	**12,895**	8,830

	For the year ended 31 December 2009	2008
	(RMB in millions)	
Revenue	**33,297**	26,365
Profit after taxation	**3,078**	1,873
Profit attributable to equity holders of the Company	**2,352**	1,512
Cash flows from operating activities	**4,210**	4,588
Sales volume		
Cement sold by China United (in thousand tonnes)	**29,377**	23,180
Clinker sold by China United (in thousand tonnes)	**13,890**	9,101
Cement sold by South Cement (in thousand tonnes)	**49,236**	32,391
Clinker sold by South Cement (in thousand tonnes)	**20,850**	14,218
Gypsum board (in million m^2)	**475**	323
Revenue from engineering service (RMB in millions)	**3,592**	3,244
Glass fiber yarn (in thousand tonnes)	**564**	533
Selling price		
Cement sold by China United (RMB per tonne)	**216.9**	232.1
Clinker sold by China United (RMB per tonne)	**182.3**	211.0
Cement sold by South Cement (RMB per tonne)	**211.5**	230.6
Clinker sold by South Cement (RMB per tonne)	**180.0**	222.2
Gypsum board		
— BNBM (RMB per m^2)	**6.82**	6.80
— Taishan Gypsum (RMB per m^2)	**5.10**	4.81

	2009	2008
Growth rate		
Revenue	**26.3%**	150.8%
Profit attributable to equity holders of the Company	**55.6%**	65.7%
Others		
Return on capital	**18.2%**	17.1%
Earnings per share-basic	**0.96**	0.68

Contents

CNBM

This Annual Report, in both Chinese and English versions, is available on the Company's website at http://cnbm.wsfg.hk (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 Corporate Communications (either in printed form or via the Company Website).

Shareholders may send their request to receive the Annual Report and/or to change their choice of the means of receipt of Corporate Communications by notice in writing to the H share registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the H share registrar of the Company at cnbm3323-ecom@hk.tricorglobal.com.

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million and 300 million H shares were placed on 9 August 2007 and 5 February 2009 respectively.

The Group is mainly engaged in cement, lightweight building materials, glass fiber, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2009), the Group is:

- the largest cement producer in the Huaihai Economic Zone of the PRC;
- the largest cement producer in the Southeast Economic Zone of the PRC;
- the largest gypsum board producer in Asia;
- the largest producer of rotor blade in the PRC;
- the largest glass fiber producer in the world through China Fiberglass, an associate of the Company;
- an international engineering firm that provides float glass production lines and NSP cement production lines design and/or EPC services in the PRC, designed and/or constructed over 50% of the float glass production lines sold in the PRC.

DIRECTORS:

Executive Directors

Song Zhiping *(Chairman)*
Cao Jianglin *(President)*
Li Yimin *(Vice President)*
Peng Shou *(Vice President)*
Cui Xingtai *(Vice President)*

Non-executive Directors

Cui Lijun
Huang Anzhong
Zuo Fenggao

Independent Non-executive Directors

Zhang Renwei
Zhou Daojiong
Chi Haibin
Lau Ko Yuen, Tom
Li Decheng

AUDIT COMMITTEE:

Chi Haibin *(Chairman)*
Zhou Daojiong
Cui Lijun

REMUNERATION COMMITTEE:

Zhang Renwei *(Chairman)*
Zhou Daojiong
Song Zhiping

SUPERVISORS:

Shen Anqin *(Chairman)*
Zhou Guoping
Cui Shuhong *(Staff Representative Supervisor)*
Liu Zhiping *(Staff Representative Supervisor)*
Ma Zhongzhi *(Independent Supervisor)*
Liu Chijin *(Independent Supervisor)*

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives:	Song Zhiping Chang Zhangli
Alternate Authorized Representative:	Lo Yee Har Susan (FCS, FCIS)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business in the PRC:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code:	100037
Place of Representative Office in Hong Kong:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers:	China Construction Bank, Beijing Branch Bank of Communications, Beijing Branch Shanghai Pudong Development Bank, Beijing Branch
PRC Legal Adviser:	Jingtian & Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong

Corporate Information

International Auditor:	UHY Vocation HK CPA Limited 3/F, Malaysia Building 50 Gloucester Road Wanchai Hong Kong
Domestic Auditor:	Vocation International Certified Public Accountants Co., Ltd. Room 208, Building B of Huatong Mansion No. 19, Chegongzhuang West Road Yi Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code:	3323
Company Website:	http://cnbm.wsfg.hk www.cnbmltd.com

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Baishan Jingang"	金剛（集團）白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司(China Triumph Bengbu Engineering and Technology Company Limited)
"BNBM"	北新集團建材股份有限公司(Beijing New Building Material Company Limited)
"BNBMG"	北新建材（集團）有限公司(Beijing New Building Material (Group) Company Limited)
"BNBM Homes"	北新房屋有限公司(BNBM Homes Company Limited)
"BNBM Suzhou"	蘇州北新礦棉板有限公司 (BNBM Suzhou Mineral Fiber Ceiling Company Limited)
"BNBM Plastic"	北新建塑有限公司(BNBM Building Plastic Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院(China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司(China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司(China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程有限公司(China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司(China United Cement Group Corporation Limited)
"Cinda"	中國信達資產管理公司(China Cinda Asset Management Corporation)
"CNBM Investment"	中建材投資有限公司(CNBM Investment Company Limited)
"CNBM Trading"	中建材集團進出口公司(China National Building Material Import and Export Company)
"Company" or "CNBM"	中國建材股份有限公司(China National Building Material Company Limited)

"Company Law"	the Company Law of the PRC
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Dezhou China United"	德州中聯大壩水泥有限公司 (Dezhou China United Daba Cement Company Limited)
"Domestic Shares"	the domestic shares in the share capital of the Company
"EPC"	turn-key project services that include engineering, procurement and construction
"Fushun Jingang"	撫順市金剛水泥有限公司 (Fushun Jingang Cement Company Limited)
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"Guilin South Cement"	桂林南方水泥有限公司 (Guilin South Cement Company Limited)
"Guo Fa No. 38"	(《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》) Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No. 38))
"H Shares"	the overseas listed foreign shares in the share capital of the Company
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Hengjiu Concrete"	山東魯宏恒久混凝土工程有限公司(Shandong Luhong Hengjiu Concrete Company Limited)
"Hengzhijiu Trade"	山東恒之久商貿有限公司(Shandong Hengzhijiu Commercial Trade Company Limited)
"Hony Capital"	弘毅投資產業一期基金（天津）(Hony Capital Management (Tianjin) (Limited Partnership))
"Hunan South Cement"	湖南南方水泥有限公司(Hunan South Cement Company Limited)
"Huzhou South Cement"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)

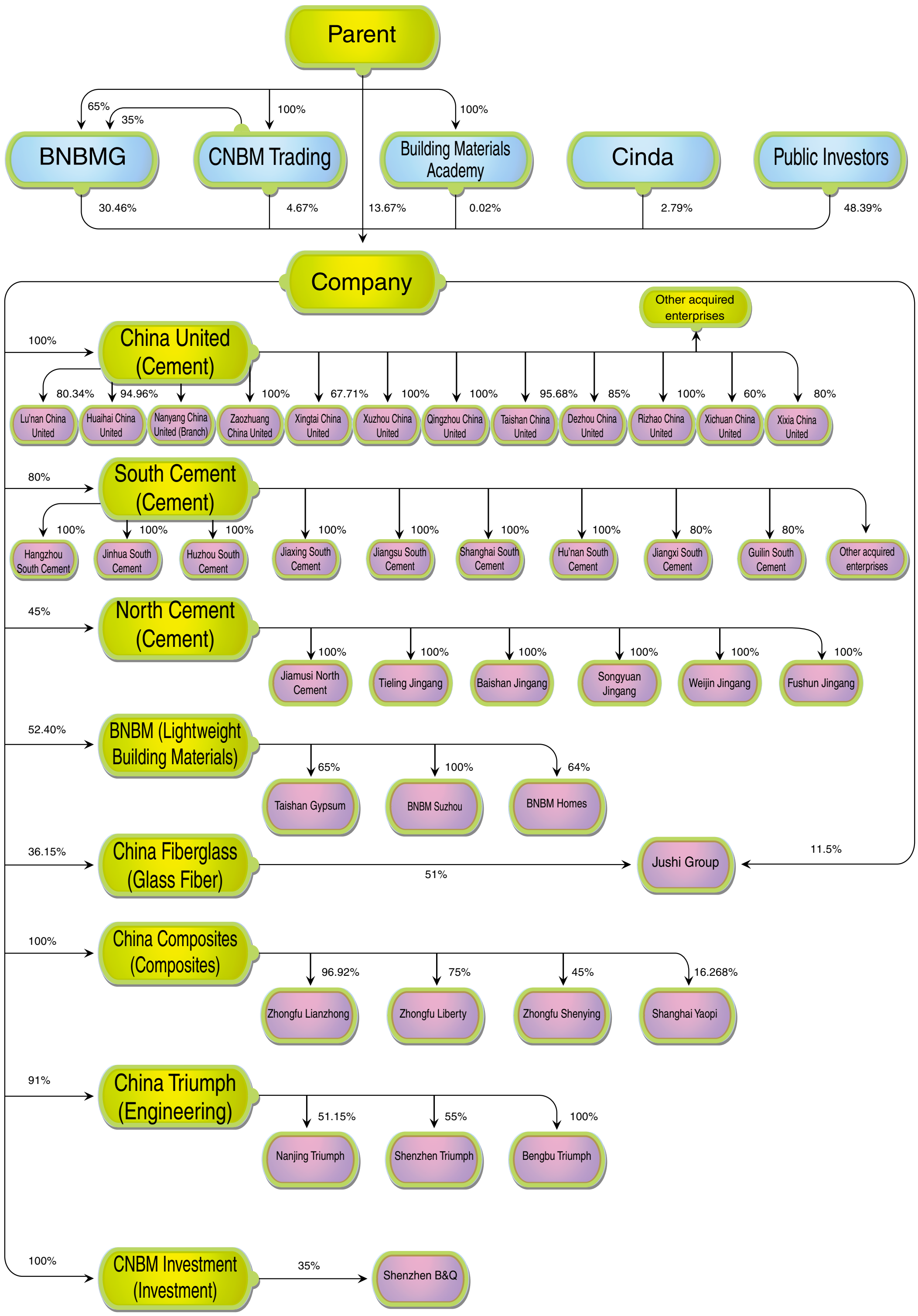
"Huaihai China United"	淮海中聯水泥有限公司(Huaihai China United Cement Company Limited)
"Huaihai Economic Zone"	the Huaihai Economic Zone is an area of approximately 178,100 square kilometers covering 20 municipalities（地級市）located in southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, promoters, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiaxian China United"	郟縣中聯天廣水泥有限公司 (Jiaxian China United Tianguang Cement Company Limited)
"Jiaxing South Cement"	嘉興南方水泥有限公司 (Jiaxing South Cement Company Limited)
"Jiangsu South Cement"	江蘇南方水泥有限公司 (Jiangsu South Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jinhua South Cement"	金華南方水泥有限公司 (Jinhua South Cement Company Limited)
"Jushi Group"	巨石集團有限公司(Jushi Group Company Limited)
"KPI"	Key performance index
"Liaoyuan Jingang"	遼源金剛水泥（集團）有限公司 (Liaoyuan Jingang Cement Company Limited)
"Liberty Group"	麗寶第集團公司(Liberty Group Company)
"Linyi China United"	臨沂中聯水泥有限公司 (Linyi China United Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司(Lunan China United Cement Company Limited)

"Nanjing China United"	南京中聯水泥有限公司 (Nanjing China United Cement Company Limited)
"Nanjing Triumph"	南京凱盛水泥技術工程有限公司(China Triumph Nanjing Cement Technological Engineering Company Limited)
"Nanyang China United"	中國聯合水泥有限責任公司南陽分公司(China United Nanyang Company)
"NDRC"	中華人民共和國國家發展和改革委員會(the National Development and Reform Commission)
"No.1 Document"	(《中共中央國務院關於加大統籌城鄉發展力度進一步夯實農業農村發展基礎的若干意見》) Some Opinions Given by the State Council on Strengthening the Coordination of Cities and Towns Development, and Tamping the Foundation of Agriculture and Rural Area Development
"North Cement"	北方水泥有限公司(North Cement Company Limited)
"North Region"	the north region of the PRC, including but not limited to Liaoning, Jilin, Heilongjiang and Inner Mongolia
"NPC"	the National People's Congress of the People's Republic of China
"NSP"	new suspension preheater dry process
"Parent"	中國建築材料集團公司(China National Building Material Group Corporation), currently known as 中國建築材料集團有限公司(China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC"	the People's Republic of China
"Promoters"	the initial promoters of the Company, being Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Qingzhou China United"	青州中聯水泥有限公司(Qingzhou China United Cement Company Limited)
"Qufu China United"	曲阜中聯水泥有限公司 (Qufu China United Company Limited)
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the period from 1 January 2009 to 31 December 2009

"Rizhao China United"	日照中聯水泥有限公司 (Rizhao China United Cement Company Limited)
"Rizhao Port China United"	日照中聯港口水泥有限公司 (Rizhao Port China United Company Limited)
"Sanshi Group"	浙江三獅集團有限公司(Zhejiang Sanshi Group Company Limited)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Yaopi"	上海耀華皮爾金頓玻璃股份有限公司(Shanghai Yaohua Pilkington Glass Co., Ltd.)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen B&Q"	深圳百安居裝飾建材有限公司(Shenzhen B&Q Decoration & Building Materials Company Limited)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司(CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Songyuan Jingang"	遼源金剛水泥(集團)松原有限公司 (Liaoyuan Jingang Cement (Group) Songyuan Company Limited)
"South Cement"	南方水泥有限公司(South Cement Company Limited)
"Southeast Economic Zone"	the Southeast Economic Zone is situated in the southeast region of the PRC which includes but not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan
"State", "state", "PRC Government" or "PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (Taishan China United Cement Company Limited)

"Taishan Gypsum"	泰山石膏股份有限公司(Taishan Gypsum Company Limited)
"Three Five Management Operation Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation, investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow, gearing ratio
"Tianma Group"	常州天馬集團有限公司(Changzhou Tianma Group Company Limited)
"Tieling Jingang"	金剛水泥（鐵嶺）有限公司 (Jingang Cement (Tieling) Company Limited)
"Weifang Aotai"	濰坊奥泰石膏有限公司(Weifang Aotai Gypsum Company Limited)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Wolong China United"	南陽中聯臥龍水泥有限公司 (Nanyang China United Wolong Cement Company Limited)
"Xichuan China United"	淅川中聯水泥有限公司 (Xichuan China United Cement Company Limited)
"Xixia China United"	西峽中聯水泥有限公司 (Xixia China United Cement Company Limited)
"Xingtai China United"	邢台中聯水泥有限公司(Xingtai China United Cement Company Limited)
"Xuzhou China United"	徐州中聯水泥有限公司(Xuzhou China United Cement Company Limited)
"Zaozhuang China United"	棗莊中聯水泥有限公司(Zaozhuang China United Cement Company Limited)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司(Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中複麗寶第複合材料有限公司(Changzhou China Composites Liberty Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司(Zhongfu Shenying Carbon Fiber Company Limited)
"Zhongxin Tianma"	常州中新天馬玻璃纖維製品有限公司(Changzhou China Composites Tianma Fiberglass Products Company Limited)

The following chart sets out the simplified corporate structure of the Group as at 31 December 2009.



- All the above percentages are calculated by rounding to two decimal places.

The Group's financial results highlights for the year 2009 and 2008 are as follows:

	For the year ended 31 December	
	2009	2008
	(RMB in thousands)	
Revenue	**33,297,363**	26,365,159
Gross profit	**6,499,360**	4,513,421
Profit after taxation	**3,077,893**	1,873,356
Profit attributable to equity holders of the Company	**2,352,396**	1,511,542
Distribution made to the equity holders of the Company	**111,655**	72,880
Gains per share — basic *(RMB)*[(1)]	**0.96**	0.68

Note:

(1) *The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 2,208,488,000 shares for 2008 and the weighted average number of 2,449,085,759 shares for 2009.*

	As at 31 December	
	2009	2008
	(RMB in thousands)	
Total assets	**77,009,037**	58,904,191
Total liabilities	**59,493,609**	46,770,967
Net assets	**17,515,428**	12,133,224
Minority interests	**4,620,661**	3,302,874
Equity attributable to equity holders of the Company	**12,894,767**	8,830,350
Net assets per share — weighted average *(RMB)*[(1)]	**5.27**	4.00
Debt to assets ratio[(2)]	**53.3%**	42.9%
Net debts/equity ratio[(3)]	**212.2%**	177.4%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 2,208,488,000 shares for 2008 and the weighted average number of 2,449,085,759 shares for 2009.

(2) Debt to assets ratio = total borrowings/total assets x 100%

(3) Net debt/equity ratio = (total borrowings - bank balances and cash)/(minority interests + equity attributable to equity holders of the Company) x 100%

The major operating data of each segment of the Group for 2009 and 2008 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2009	2008
Production volume-cement (in thousand tonnes)	**28,860.4**	23,109.3
Production volume-clinker (in thousand tonnes)	**30,835.3**	24,170.0
Sales volume-cement (in thousand tonnes)	**29,377.0**	23,180.0
Sales volume-clinker (in thousand tonnes)	**13,890.0**	9,100.7
Unit selling price-cement (RMB per tonne)	**216.9**	232.1
Unit selling price-clinker (RMB per tonne)	**182.3**	211.0

South Cement

	For the year ended 31 December	
	2009	2008
Production volume-cement (in thousand tonnes)	**49,062.6**	30,673.4
Production volume-clinker (in thousand tonnes)	**52,203.3**	32,808.3
Sales volume-cement (in thousand tonnes)	**49,236.3**	32,390.6
Sales volume-clinker (in thousand tonnes)	**20,849.5**	14,217.7
Unit selling price-cement (RMB per tonne)	**211.5**	230.6
Unit selling price-clinker (RMB per tonne)	**180.0**	222.2

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December	
	2009	2008
Gypsum boards — BNBM		
Production volume (in million m^2)	**84.5**	56.0
Sales volume (in million m^2)	**74.6**	60.5
Average unit selling price (RMB per m^2)	**6.82**	6.80
Gypsum boards — Taishan Gypsum		
Production volume (in million m^2)	**395.3**	269.0
Sales volume (in million m^2)	**400.8**	262.3
Average unit selling price (RMB per m^2)	**5.10**	4.81
Acoustical ceiling panels — BNBM		
Production volume (in million m^2)	**5.9**	6.4
Sales volume (in million m^2)	**5.4**	6.1
Average unit selling price (RMB per m^2)	**20.89**	17.99
Acoustical ceiling panels — BNBM Suzhou		
Production volume (in million m^2)	**2.3**	4.2
Sales volume (in million m^2)	**2.0**	4.6
Average unit selling price (RMB per m^2)	**14.57**	8.87
Lightweight metal frames		
Production volume (in thousand tonnes)	**33.1**	29.1
Sales volume (in thousand tonnes)	**38.9**	28.3
Average unit selling price (RMB per tonne)	**5,965.0**	6,974.1

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December	
	2009	2008
FRP Products		
Production volume (in thousand tonnes)	**24.0**	18.9
Sales volume (in thousand tonnes)	**14.7**	15.4
Average unit selling price (RMB per tonne)	**24,722.0**	17,982.0
Glass Fiber Mats		
Production volume (in million m^2)	**72.9**	109.6
Sales volume (in million m^2)	**62.4**	108.8
Average unit selling price (RMB per m^2)	**0.92**	0.92
Rotor blade		
Production volume (in blade)	**4,308.0**	2,558.0
Sales volume (in blade)	**3,749.0**	2,378.0
Average unit selling price (RMB per blade)	**452,011.6**	451,215.0

To Shareholders,

2009 was the most difficult year for China's economic development. Through its continuous active fiscal policy and moderately-loose monetary policy, the central government fully implemented and continuously improved the comprehensive stimulus plan, which was developed to tackle the global financial crisis. As a result of those policies and plan, the central government successfully stopped a visible slowdown in China's economic growth and realized a recovery in her overall national economy, achieving a year-on-year GDP growth of 8.7% and a FAI growth of 30.1%. Amid the overall favourable economic environment in China, the building material industry in China, as a whole, maintained a rapid growth in 2009 - production and sales of major building materials rebounded; prices of building materials stabilized; economic benefits grew steadily; and structural adjustments achieved effective results.

In 2009, the Company saw a mix of opportunities and challenges. Leveraging on the development opportunities arising from a series of government policies, which aimed at "maintaining growth, expanding domestic demand and adjusting structure", and on the competitive advantages of it being a state-owned enterprise, the Company executed its consolidation, restructuring as well as capital operation strategies at a steady pace, put into action management integration, put great efforts in building up various synergistic markets and core profit-generating regions, and sought "substantial clients, lucrative projects and profitable orders". The combined effects of these resulted in economies of scale, costs reduction and enhanced economic efficiency of the Company. Further, the adverse effects of the global financial crisis to the Company was effectively diluted, the scale of the Company's business continued to expand and operating indicators of the Company continued to improve. All in all, the Company achieved a sustainable, healthy and rapid development. I would like to express my heartfelt gratitude to all those investors who recognise CNBM's value and market position and to thank all of you for your lasting support to the Company.

On behalf of the Board, I am pleased to present the Company’s 2009 Annual Report and results to you:

Under IFRS, the Group’s consolidated revenue amounted to RMB33,297 million for 2009, representing an increase of 26.3% over 2008. Profit attributable to equity holders of the Company amounted to RMB2,352 million, representing an increase of 55.6% over 2008. The Board recommended the payment of a final dividend of RMB0.07 per share for the financial year ended 31 December 2009.

In 2009, the Company continued to take consolidation and restructuring as a major driver for growth and steadily promoted consolidation and restructuring in various strategic regions as identified by the Company. The Company has preliminarily identified that three regions, namely Huaihai, Southeast China and Northern China has formed a strategic cluster in respect of their cement business, with total cement production capacity reaching 160 million tonnes. The Company tried to enhance regional synergy, develop core profit-generating regions, improve technological renovation and increase incremental investments such that an avenue for expansion featured by resources reallocation and industry consolidation, which in turn meant social resources be brought into optimal use, could be achieved. Further, the Company actively sought direct financing from capital markets. In 2009, we successfully issued 300 million H shares by leveraging on the multiplier effect in the capital market. Moreover, taking advantage of the opportunities arising from the State’s moderately-loose monetary policy, we strengthened our relationship with the banks and were able to tab more indirect financing, thereby securing stronger capital support.

Year 2009 is the year of management integration to CNBM. On one hand, to comply with the Listing Rules, the Company has strengthened its corporate governance, improved and optimized its internal control system, tightened business flow and standardized management policies. On the other hand, the Company has executed extensive management integration and comprehensively implemented the “Three Five Management Operation Mode” to centralize and standardize management operation, as well as carried out external benchmarking and strove for internal optimisation. As a result, the overall corporate governance of the Company has improved and the Company has managed to strike a balance between external expansion and internal growth, thus fostering sustainable competitiveness.

We shall attribute the extraordinary performances achieved in the past year to the unremitting efforts of the management and all staff. On behalf of the Board and the shareholders, I would like to express my sincere gratitude to the management and all of our employees.

Looking into 2010, we see opportunities accompanied by challenges. It is expected that China will continue to adopt an investment-driven economic growth model. The PRC’s economic and fiscal policies implemented in 2009 are expected to extend into 2010. Demand for cement shall gain more momentum due to the recovery in the real estate sector. As PRC government strengthens structural adjustment in the cement industry, resulting in the phasing-out of outdated production capacity and more restriction on new cement projects, the cement industry shall enjoy a healthy development. According to the “No.1 Document” issued by the PRC central government, as one of the major measures for stimulating domestic demands, China will put great efforts in supporting farmers to construct their own houses. Effective measures will be adopted to promote the programme of “bringing building materials to the countryside”. This will be a great positive factor for the building material industry and also a highlight for the development of the industry in 2010. However, we will also be facing stricter requirements on energy conservation, emission reduction and new environmental protection policies, all of which will bring new opportunities along with new challenges for us.

Leveraging on its competitive advantages in the industry, the Company will, while adhering to its established development strategy, actively seek opportunities to steadily foster consolidation and restructuring as well as capital operation. In order to increase industrial concentration and market share, we are determined to develop controlled regional markets, establish core profit-generating regions and promote large-scale consolidation and restructuring with synergy effects, ensuring stable and reasonable profit margin and fostering a healthy market development. Further, the Company will strive to obtain more of both direct and indirect financing in order to provide it with stronger capital support for a rapid and healthy expansion. At CNBM, we are committed to promoting management improvement and specialized management, practising the "Three Five Management Operation Mode" and encouraging scientific innovation and enhancing industry chain extension. Huge efforts will also be made to optimize the industry chain and develop new building materials, new energy conservation residence and new energy materials. In addition, we will continue to cooperate with local governments in eliminating outdated production capacity. Moreover, we aspire to rationalize the Company's regional business layout, further promote technology upgrade, energy conservation, emission reduction as well as the industry's structural adjustment for a sustainable development of the industry. As such, we are confident that we will be able to deliver outstanding results to our shareholders and overseas investors.

Song Zhiping
Chairman

Beijing, the PRC
16 April 2010

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this report are summarised as follows:

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests held by the Company
Cement	NSP cement	China United	100.00%
		South Cement	80.00%
		North Cement	45.00%
Lightweight building materials	Dry wall and ceiling system	BNBM	52.40%
Glass fiber and composite materials	Rotor blades	China Composites	100.00%
	Glass fiber	China Fiberglass	36.15%
Engineering services	Design and engineering EPC services; Float glass production lines and NSP cement production lines	China Triumph	91.00%

CEMENT SEGMENT

Review of the cement industry in the PRC in 2009

In 2009, the central government's stimulus package was implemented to tackle the global financial crisis. "Guofa No.38 Document" was issued and brought into effect, which had created favorable conditions for the cement industry. It transformed the development of the cement industry at a faster pace, eliminated outdated capacity and enhanced consolidation and restructuring as well as structural adjustments within the industry. Accordingly, remarkable results have been achieved.

The RMB4 trillion stimulus package offered by the PRC government had boosted the cement output and consumption. In 2009, the total output of cement in the PRC was approximately 1.63 billion tonnes, an increase of 17.9% over 2008.

On the other hand, the macro control by the PRC government had taken effect, leading to a significant decrease in outdated production capacity. In 2009, 74.16 million tonnes of outdated cement production capacity was eliminated. With NSP cement clinker production accounting for 72.25%, structural adjustment goal which was set in the 11th "Five Year Plan" by the PRC government had been achieved in advance. As large conglomerates quickly expanded their production capacity through acquisition and reorganization, industry concentration had increased significantly. Cement clinker produced by the top 20 cement producers accounted for 38.82% of the country's total, up 7.14% over 2008. *(Source: National Bureau of Statistics of China and China Building Materials Industry Association)*

CEMENT SEGMENT *(CONTINUED)*

Review of the Group's cement business in 2009

In 2009, the Group effectively implemented its regional development strategy in respect of its cement business. Three regions, which comprise of Huaihai, Southeast China and Northern China, have formed a strategic cluster in respect of its cement business, with total cement production capacity reaching approximately 160 million tonnes. As a result of its consolidation and restructuring efforts, the Group's cement segment had undergone an extensive management integration and built up various core profit-generating regions. As the effect of integration was demonstrated and deepened gradually, multiple core profit-generating regions and synergetic profit-generating regions were established. Accordingly, the profitability and sustainability were rapidly enhanced.

China United

Further strengthened business synergy

In 2009, China United actively put forward the marketing synergy. By integrating regional marketing resources, setting up a regional sales centre, establishing a regional market linkage system and a regular benchmarking analysis system, China United managed to keep product prices stable in the region. Through proactively promoting technology synergy and finance synergy, major energy consumption indicators have improved. Production and finance costs have also been reduced. In addition, China United expanded its centralized procurement system in order to benefit from economies of scale. Accordingly, the procurement cost of China United gradually decreased. Further, China United had promoted cooperation with and created synergy among its peers. These helped maintain positive competition mechanism and boost profit of cement producers in the region.

Pressed ahead management integration

During 2009, building on the business synergy, China United had actively promoted management integration with a focus on "Five Cs", optimized management and control system and identified its positioning (China United as profit center and its subsidiaries as cost center). Further, it had established a KPI-oriented enterprise performance evaluation system and achieved favorable results.

Smooth progress in the consolidation and restructuring and project construction

In 2009, China United had put greater efforts in consolidation and restructuring. While consolidating and restructuring its operation in the Huaihai Economic Zone, it also sought to establish a presence in Inner Mongolia and other surrounding markets. Further, building on the acquisition of clinker production lines, China United had also managed to strengthen the consolidation and restructuring of grinding stations in its target markets. At the same time, project construction is progressing steadily as scheduled. By the end of 2009, total cement capacity of China United was approximately 52 million tonnes.

CEMENT SEGMENT *(CONTINUED)*

South Cement

Further promote management integration and fully implement regional management integration

In 2009, South Cement had put great efforts in the implementation of the CRM (C-Cost oriented, R-Regional, M-Market exploration) operation strategy and had established an integrated regional management mode featuring concentrated marketing, finance and procurement. By coordinating and integrating resources and optimizing management systems, South Cement had rapidly set up 8 regional companies in Hangzhou, Jiaxing, Huzhou, Jinhua, Jiangsu, Shanghai, Jiangxi and Hunan and a directly controlled company in Guilin. Due to the efforts in promoting integrated management and implementing concentrated marketing, the integrations of market, market development, pricing and marketing have been gradually achieved. With growing control over regional markets, core profit-generating regions have been progressively developing. Further, bulk raw materials and fuels such as coal are procured in a concentrated way.

CEMENT SEGMENT *(CONTINUED)*

South Cement *(Continued)*

Emergence of market synergy landscape for stronger control over regional markets

In 2009, South Cement had actively developed new businesses and established a regional market synergy mechanism. As a result, a synergetic market, which was dominated by South Cement and some major players in the region, was formed in 6 regions including Tai Lake surrounding areas, Central and Southern Zhejiang, Shanghai, Fujian-Zhejiang-Jiangxi, Hunan and Jiangxi. Pricing and profitability had increased significantly. Since August 2009, after various price adjustments, product prices in Jiangsu, Zhejiang and Shanghai have rebounded and displayed an upward trend. In addition, South Cement had implemented a special plan for cost control. Its regional companies had actively practiced production and technology benchmarking and fully enhanced technology improvement, thereby lowering the overall costs of production effectively.

Enhanced consolidation, restructuring and project construction to further optimize strategic layout

In the first half of 2009, South Cement had successfully acquired equity interests in 10 cement enterprises under the Sanshi Group. This basically completed its large-scale consolidation and restructuring in the Zhejiang region. In the second half of the year, South Cement had seized the opportunity to further enhance its consolidation, restructuring and project construction strategies. It had optimized strategic layout in a continuous way, thus greatly enhanced its market control and sharpened its competitive edges. By the end of 2009, South Cement owned a cement production capacity of 100 million tonnes and became the most influential cement group in the Southeast Economic Zone in the PRC.

North Cement

In March 2009, the Company, Liaoyuan Jingang and Hony Capital jointly established North Cement. The Company holds 45% equity interest in North Cement. Since its establishment, North Cement has been proactively engaged in consolidation and restructuring activities in Jilin, Liaoning and Heilongjiang Province. By the end of 2009, North Cement's cement production capacity had exceeded 8 million tonnes. Presently, North Cement is steadily pressing ahead its consolidation and restructuring in Northeast China.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the lightweight building materials industry in the PRC in 2009

In 2009, both the State Council of the PRC and NDRC issued documents in tandem, which required construction-related energy saving, the development of new building materials and a recyclable economy. Such documents facilitated the development of new building materials industry, giving further push to the growth of paper surfaced gypsum board industry. *(Source: bmlink.com)*

Review of the Group's lightweight building materials business in 2009

Stably enhanced construction of national industrial base and actively explored marketing channels

In 2009, BNBM continued its stable pace in enhancing construction of national industrial base. The gypsum board projects of BNBM and Taishan Gypsum are also progressing smoothly and has commenced operation in tandem. By the end of 2009, its gypsum board production capacity amounted to 720 million square meters. Meanwhile, guided by the strategic principal of "Famous brand, extensive channels and great development", BNBM had actively strengthened its market promotion and expanded its marketing channels by proactively expanding its foothold in the emerging markets and sub-markets, in order to enhance its market influence and to attract the market demand, thereby fully utilising its gypsum board capacity.

Further optimized market layout to give a further boost to production and sales volume and gross profit margin

As the national industrial layout for 1 billion square meters gypsum board was successfully completed, the advantages in the business scope of gypsum board were well presented, laying a reasonable ground for the production and sales layout, which achieved outstanding results and recorded a significant growth in production and sales volume. Compared with 2008, the production volume of gypsum boards of the "Dragon" brand and "Taishan" brand increased by 51% and 47%, sales volume increased by 23% and 53% while gross profit margin increased by 4.7% and 14.1% respectively.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

Review of the glass fiber and composite materials industry in the PRC in 2009

Composite materials industry

Wind energy, as a recyclable energy with zero emission, has the highest potential to be applied in large scale after hydro energy. China has become the most active wind power market in the world for 3 consecutive years. In 2009, new wind power capacity installed in China was over 8 million kW and the accumulative total capacity had exceeded 20 million kW. China is the third largest wind power generator in the world after US and Germany. (Source: China FRP Industry Association)

Glass fiber industry

Faced with the severe impact of the financial crisis, the glass fiber industry had timely adjusted its development strategy in 2009. Through technological innovation and effective price control, remarkable results had been achieved. Since the third quarter of 2009, the industry had regained upward momentum, turning around from a sliding trend in the production growth. The decline in import and export trade had slowed down and product selling price has rebounded. The export market is recovering. *(Source: China Fiberglass Industry Association)*

Review of the Group's glass fiber and composite materials segment in 2009

Composite materials business

In 2009, the rotor blades business had witnessed rapid growth, with capacity exceeding 5,000 units. Over 3,700 units of rotor blades were sold in the year, representing a year-on-year increase of 58%, ranking first in China. The rotor blade bases in Shenyang, Jiuquan and Baotou had commenced production in tandem. With industrial layout fully completed, the strategic goal of producing over 10,000 blades annually had been achieved ahead of schedule. The successful production of the 3MW blades had extended the supply chain from land to sea, making the product in series while expanding the scale. The carbon fiber project is also progressing.

Glass fiber business

In 2009, to cope with the challenges of the global financial crisis, China Fiberglass had taken various measures to reduce expense and consumption. It had also tried to lower cost through technology innovation and development of new formula for glass fiber. Further, it had tried to explore overseas market through adjusting its product mix and making innovations in marketing management and sales mode while ensuring normal operation of production lines. The company had recorded a month-on-month increase in sales volume, and had started to reduce its accumulated stock. In addition, its production and operation had both exhibited positive signals.

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering service business in 2009

Enhanced engineering development and consolidating leading position in the industry

In 2009, China Triumph had expanded its engineering development. In the domestic market, through focusing on" substantial clients, lucrative projects and profitable orders", its engineering design and EPC operation had taken approximately 90% of the market share in the high-end glass engineering market. It has proactively adopted measures to ensure its EPC projects would be carried out as scheduled.

Enhanced technology innovation and upgrading service business

In 2009, while focusing on the engineering and development of new glass, new energy and new materials, China Triumph had strengthened technology innovation and enhanced research, development and application of new technology. With progress being made in the research and development of Low-E glass, China Triumph had reinforced the research and promotion of new energy conservation, environmental protection technology and new products with higher added value such as large vertical grinding stations.

FINANCIAL REVIEW

Establishment of North Cement

The Company established North Cement in March 2009. The operating results of North Cement were consolidated in the financial results of the Group for the year ended 31 December 2009, but excluded from the financial results for the year ended 31 December 2008. For the year ended 31 December 2009, there were 6 subsidiaries consolidated under North Cement. North Cement acquired Jiamusi North Cement on 1 October 2009, and acquired Baishan Jingang, Songyuan Jingang, Tieling Jingang, Weijin Jingang and Fushun Jingang on 31 December 2009. The table below sets forth the revenue, cost of sales, gross profit and operating profit of North Cement for the year ended 31 December 2009, and their respective percentage of the Group's total.

	RMB in millions	*% of North Cement against the Group's total*
Revenue	74.8	0.2
Cost of sales	65.8	0.2
Gross profit	9.0	0.1
Operating profit	2.8	0.1

In addition to the reasons stated below, changes in the operating results of the Group for the year ended 31 December 2009 as compared with the year ended 31 December 2008 were also attributable to the inclusion of the results of North Cement upon its establishment by the Group as stated above.

In 2009, our revenue increased by 26.3% to RMB33,297.4 million from RMB26,365.2 million in 2008. Our profit attributable to equity holders of the Company increased by 55.6% from RMB1,511.5 million in 2008 to RMB2,352.4 million in 2009.

Revenue

Our revenue for the year 2009 amounted to RMB33,297.4 million, representing an increase of 26.3% from RMB26,365.2 million in 2008, primarily due to an increase of RMB3,348.2 million in revenue from South Cement, an increase of RMB1,623.5 million in revenue from China United, an increase of RMB889.9 million in revenue from our lightweight building materials segment, an increase of RMB652.4 million in revenue from our glass fiber and composite material segment, and an increase of RMB347.5 million in revenue from our engineering services segment.

FINANCIAL REVIEW *(CONTINUED)*

Cost of sales

Our cost of sales in 2009 amounted to RMB26,798.0 million, representing an increase of 22.6% from RMB21,851.7 million in 2008, primarily due to an increase of RMB2,541.9 million in cost of sales from South Cement, an increase of RMB1,289.1 million in cost of sales from China United, an increase of RMB473.5 million in cost of sales from our lightweight building materials segment, an increase of RMB420.1 million in cost of sales from our glass fiber and composite material segment and an increase of RMB155.1 million in cost of sales from our engineering services segment.

Other income

Other income of the Group increased by 71.7% to RMB2,036.8 million in 2009 from RMB1,186.6 million in 2008, primarily because VAT refund of the Group increased to RMB632.1 million for the year 2009 from RMB484.0 million in 2008. Net gain from change in fair value of held-for-trading investments of the Group increased by RMB195.0 million in 2009. Government grants of the Group increased to RMB539.5 million in 2009 from RMB475.8 million in 2008. Discount on acquisition of interests/additional interests in subsidiaries increased to RMB188.3 million in 2009 from RMB104.4 million in 2008.

Selling and distribution costs

Selling and distribution costs increased by 43.4% to RMB1,267.4 million in 2009, from RMB884.0 million in 2008, primarily due to an increase of RMB242.2 million in packaging fees as a result of our rising sales volume, and an increase of RMB29.2 million in transportation costs.

Administrative and other expenses

Administrative and other expenses increased by 40.6% to RMB2,019.8 million in 2009 from RMB1,436.8 million in 2008, primarily due to an increase of RMB160.1 million in salary, an increase of RMB108.3 million in amortization of intangible assets, an increase of RMB66.6 million in research and development expenses, an increase of RMB23.2 million in repairing cost, an increase of RMB19.0 million in tax (including stamp tax, property tax and land use tax).

FINANCIAL REVIEW *(CONTINUED)*

Finance costs

Finance costs increased by 10.8% to RMB1,516.4 million in 2009 from RMB1,368.0 million in 2008, primarily due to our increased borrowings which were required to support the increase in the business volume in each of our four business segments.

Share of profit of associates

Our share of profit of associates decreased to RMB9.4 million in 2009 from RMB155.3 million in 2008, primarily due to the decrease in the profits of our associate China Fiberglass. The decrease in China Fiberglass's net profit was mainly attributable to the year-on-year decrease in the sales volume from the overseas market and lower price of products throughout the year.

Income tax expense

Income tax expense increased by 126.6% to RMB664.1 million in 2009 from RMB293.1 million in 2008, primarily due to the increase in profit before taxation.

Minority interests

Minority interests increased by 100.5% to RMB725.5 million in 2009 from RMB361.8 million in 2008, primarily due to the increase in operating profit in each of our business segments.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 55.6% to RMB2,352.4 million in 2009 from RMB1,511.5 million in 2008. Net profit margin increased to 7.1% in 2009 from 5.7% in 2008.

FINANCIAL REVIEW *(CONTINUED)*

China United

Acquisition and addition of new production lines

A million-tonne grinding station of Xixia China United, a subsidiary of China United, commenced production on 1 February 2008. Therefore, only the operating results of Xixia China United for the eleven months from 1 February 2008 to 31 December 2008 were included in the results for the year ended 31 December 2008.

China United acquired Qufu China United, Linyi China United and Rizhao Port China United on 1 April 2008. Therefore, only the operating results of the above three companies for the nine months from 1 April 2008 to 31 December 2008 were included in the results for the year ended 31 December 2008.

China United acquired Xichuan China United on 1 July 2008. Therefore, only the operating results of Xichuan China United for the six months from 1 July 2008 to 31 December 2008 were included in the results for the year ended 31 December 2008.

China United acquired Wolong China United on 1 August 2008. Therefore, only the operating results of Wolong China United for the five months from 1 August 2008 to 31 December 2008 were included in the results for the year ended 31 December 2008.

China United acquired Jiaxian China United on 1 September 2008. Therefore, only the operating results of Jiaxian China United for the four months from 1 September 2008 to 31 December 2008 were included in the results for the year ended 31 December 2008.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

The following table sets out the revenue, cost of sales, gross profit and operating results of the above seven corporations for the two periods set out below.

	The above seven corporations As at 31 December *RMB in millions*	
	2009	2008
Revenue	**2,401.4**	1,485.3
Cost of sales	**1,940.7**	1,195.3
Gross profit	**460.7**	290.0
Operating profit	**413.2**	229.2

In addition, China United acquired Nanjing China United on 1 July 2009. Therefore, the operating results of Nanjing China United were included in the operating results of Group for the year ended 31 December 2009, but excluded from the operating results for the year ended 31 December 2008.

The following table sets out the revenue, cost of sales, gross profit and operating profit of Nanjing China United for the year ended 31 December 2009 and their respective contribution to the cement segment of the Group.

	RMB in millions	*% against the total of China United*
Revenue	214.4	2.4
Cost of sales	187.6	2.6
Gross profit	26.8	1.4
Operating profit	19.6	1.2

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Save for the reasons stated below, changes in the operating results of China United for the year ended 31 December 2009 as compared with the year ended 31 December 2008 were also due to the inclusion of the results of the Group's new subsidiaries as aforementioned and the commencement of operation of subsidiaries.

Revenue for China United increased by 22.0% to RMB8,987.2 million for the year ended 31 December 2009 from RMB7,363.7 million for the year ended 31 December 2008. The increase was mainly attributable to the increase in sales volume of cement products, but was partially offset by the lower average selling price of cement products.

Cost of sales

Cost of sales of China United increased by 22.2% to RMB7,099.2 million for the year ended 31 December 2009 from RMB5,810.2 million for the year ended 31 December 2008. The increase was mainly attributable to the increased sales volume of cement products, but was partially offset by lower coal price.

Gross profit and gross profit margin

Gross profit of China United increased by 21.5% to RMB1,888.0 million for the year ended 31 December 2009 from RMB1,553.5 million for the year ended 31 December 2008. Gross profit margin of China United decreased from 21.1% for the year ended 31 December 2008 to 21.0% for the year ended 31 December 2009. The decrease in gross profit margin was mainly due to decrease in selling price, but was almost offset by the decreased coal price.

Operating profit

Operating profit for China United increased by 35.4% to RMB1,703.4 million for the year ended 31 December 2009 from RMB1,258.4 million for the year ended 31 December 2008. Operating profit margin for the segment increased to 19.0% for the year ended 31 December 2009 from 17.1% for the year ended 31 December 2008, primarily due to the increase in VAT refund and government grants.

FINANCIAL REVIEW *(CONTINUED)*

South Cement

Acquisition and addition of new production lines

South Cement acquired many cement companies after 31 December 2008. As at 31 December 2009, 19 additional subsidiaries were consolidated into South Cement as compared with 31 December 2008. A 5,000t/d clinker production line of Anhui Guangde Hongshan South Cement Company Limited（安徽廣德洪山南方水泥有限公司）, a subsidiary of South Cement, commenced production in March 2009, and a 5,000t/d clinker production line of Huzhou Huaikan South Cement Company Limited（湖州槐坎南方水泥有限公司）, a subsidiary, commenced production in September 2009. Operating results of the above 21 corporations have been included in the financial results of the Group for the year ended 31 December 2009, but excluded from the financial results for the year ended 31 December 2008. The following table sets out the revenue, cost of sales, gross profit and operating results of the 21 corporations for the year ended 31 December 2009 and their respective contribution to South Cement.

	RMB in millions	*% of the above 21 corporations against the total of South Cement*
Revenue	2,387.6	16.7
Cost of sales	2,096.0	17.1
Gross profit	291.6	14.2
Operating profit	313.8	18.7

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Acquisition and addition of new production lines *(Continued)*

In 2008, 37 subsidiaries were newly included under South Cement and less than twelve months of the operating results of these 37 subsidiaries were included in the results for the year ended 31 December 2008. The following table sets out the revenue, cost of sales, gross profit and operating results of the above 37 corporations for the two periods set out below.

	The above 37 corporations As at 31 December *RMB in millions*	
	2009	2008
Revenue	**10,330.4**	6,180.5
Cost of sales	**8,964.2**	5,499.8
Gross profit	**1,366.2**	680.7
Operating profit	**1,045.1**	671.9

In addition to the reasons stated below, changes in the operating results of South Cement for the year ended 31 December 2009 as compared with the year ended 31 December 2008 were also attributable to the inclusion of results of the newly acquired subsidiaries and newly operational subsidiaries.

Revenue

For the year ended 31 December 2009, the revenue of South Cement increased by 30.5% from RMB10,985.8 million for the year ended 31 December 2008 to RMB14,334.1 million. The increase was primarily due to the increase in sales volume of cement products, but was partially offset by the lower average selling price of cement products.

Cost of Sales

The cost of sales of South Cement amounted to RMB12,287.2 million for the year ended 31 December 2009, representing an increase of 26.1% from RMB9,745.2 million for the year ended 31 December 2008. The increase was mainly attributable to the increase in sales volume of cement products , but was partially offset by the lower coal price.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Gross profit and gross profit margin

Gross profit of South Cement amounted to RMB2,046.9 million for the year ended 31 December 2009 representing an increase of 65.0% from RMB1,240.6 million for the year ended 31 December 2008. Gross profit margin of South Cement increased from 11.3% for the year ended 31 December 2008 to 14.3% for the year ended 31 December 2009, mainly resulting from the decreased coal price as partially offset by the lower average selling price of cement products.

Operating profit

Operating profit from South Cement increased by 58.0% to RMB1,678.3 million for the year ended 31 December 2009 from RMB1,062.4 million for the year ended 31 December 2008. Operating profit margin for the segment increased to 11.7% for the year ended 31 December 2009 from 9.7% for the year ended 31 December 2008, primarily due to the increase in gross profit margin.

Lightweight Building Materials Segment

Revenue

Revenue from our lightweight building materials segment increased by 37.6% to RMB3,255.6 million in 2009 from RMB2,365.7 million in 2008. This was mainly attributable to the increase in revenue from gypsum boards, our main product, as a result of the increase in their selling price and sales volume.

The table below sets out the revenue from the three major products of the Group's dry wall and ceiling systems for 2008 and 2009 respectively:

	As of 31 December		
	2009	2008	**Change**
	(RMB in millions)		*(%)*
Gypsum boards	**2,552.6**	1,672.9	52.6
Acoustical ceiling panels	**141.5**	151.0	(6.3)
Lightweight metal frames	**232.2**	197.2	17.7
Total	**2,926.3**	2,021.1	44.8

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Cost of sales

Cost of sales from our lightweight building materials segment increased by 24.6% to RMB2,397.5 million for 2009 from RMB1,924.0 million in 2008. This was mainly due to the increase in costs of sales arising from the increase in sales volume of gypsum boards, our main product, but the increase was partially offset by the decrease in procurement cost of raw materials.

The table below sets out the cost of sales for the three major products of the Group's dry wall and ceiling systems for 2008 and 2009 respectively:

	As of 31 December		
	2009	2008	**Change**
	(RMB in millions)		*(%)*
Gypsum boards	**1,667.6**	1,294.2	28.9
Acoustical ceiling panels	**120.0**	138.1	(13.1)
Lightweight metal frames	**185.0**	162.6	13.8
Total	**1,972.6**	1,594.9	23.7

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Gross profit and gross profit margin

Gross profit from our lightweight building materials segment increased by 94.3% to RMB858.1 million for 2009 from RMB441.7 million for 2008.

The table below sets out the gross profit from the three major products of the Group's dry wall and ceiling systems for 2008 and 2009 respectively:

	As of 31 December		
	2009	2008	**Change**
	(RMB in millions)		*(%)*
Gypsum boards	**885.0**	378.7	133.7
Acoustical ceiling panels	**21.5**	12.9	66.6
Lightweight metal frames	**47.2**	34.6	36.4
Total	**953.7**	426.2	123.8

Gross profit margin for our lightweight building materials segment increased to 26.4% for 2009 from 18.7% for 2008, mainly attributable to the higher selling price of gypsum boards, our main product, and the decrease in the price of raw materials.

Operating profit

Operating profit from our lightweight building materials segment increased by 162.8% to RMB639.9 million for 2009 from RMB243.5 million for 2008. Operating profit margin of the segment increased from 10.3% for 2008 to 19.7% for 2009, which was principally due to a growth of gross profit margin and further VAT refunds from increased sales of products eligible for such refunds.

FINANCIAL REVIEW *(CONTINUED)*

Glass Fiber and Composite Materials Segment

As China Fiberglass is our associate but not our subsidiary, operating results of China Fiberglass are not consolidated with ours and are not included in the results of our glass fiber and composite materials segment. Unless otherwise indicated, any reference to the operating results of the segment has excluded those of China Fiberglass.

Revenue

Revenue from our glass fiber and composite materials segment increased by 42.1% to RMB2,202.1 million for 2009 from RMB1,549.7 million for 2008. The increase was primarily due to the increase of RMB709.4 million in revenue from FRP pipes, tanks business and rotor blade, but was partially offset by the decrease of RMB42.3 million in revenue from glass fiber mats and the decrease of RMB30.3 million in revenue from shipping business.

Cost of sales

The cost of sales for our glass fiber and composite materials segment increased by 38.9% to RMB1,500.7 million for 2009 from RMB1,080.6 million for 2008. The increase was primarily due to the increase of RMB466.1 million in cost of sales from FRP pipes, tanks business and rotor blade, but was partially offset by the decrease of RMB32.4 million in cost of sales of glass fiber mats and the decrease of RMB23.9 million in cost of sales of shipping business.

Gross profit and gross profit margin

Gross profit from our glass fiber and composite materials segment increased by 49.5% to RMB701.4 million for 2009 from RMB469.1 million for 2008. Gross profit margin for our glass fiber and composite materials segment increased to 31.9% for 2009 from 30.3% for 2008. This was mainly attributable to a further increase in the contribution to revenue from our rotor blades with higher gross profit margin.

Operating profit

Operating profit from our glass fiber and composite materials segment increased by 77.7% to RMB508.0 million for 2009 from RMB285.8 million for 2008. The operating profit margin for the segment increased to 23.1% for 2009 from 18.4% for 2008, primarily due to the increase in the gross profit margin of such segment, the increase of RMB13.9 million of discount in acquisition of additional equity interests of one subsidiary for the period.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment

Revenue

Revenue from our engineering services segment increased by 10.7% to RMB3,591.6 million for 2009 from RMB3,244.1 million for 2008, primarily due to the increase in completed construction services in the period.

Cost of sales

Cost of sales for our engineering services segment increased by 6.1% to RMB2,683.1 million for 2009 from RMB2,528.0 million for 2008, primarily due to the increase in completed construction services in the period, but partly offset by the decrease in the price of raw materials.

Gross profit and gross profit margin

Gross profit from our engineering services segment increased by 26.9% to RMB908.5 million for 2009 from RMB716.1 million for 2008, primarily due to the increase in completed construction services in the period. Gross profit margin for our engineering services segment increased to 25.3% for 2009 from 22.1% for 2008, mainly attributable to the increase in the gross profit margin of EPC projects with significant contribution to revenue.

Operating profit

Operating profit from our engineering services segment increased by 11.5% to RMB622.0 million for 2009 from RMB557.9 million for 2008. Operating profit margin for the segment increased to 17.3% for 2009 from 17.2% for 2008, primarily due to its increased gross profit margin but partly offset by the increase in foreign exchange loss in 2009.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 31 December 2009, the Group had unused banking facilities of approximately RMB25,057.1 million in total.

The table below sets out our borrowings in the periods shown below:

	As at 31 December	
	2009	2008
	(RMB in millions)	
Bank loans	**39,391.3**	21,767.0
Other borrowings from non-financial institutions	**1,624.6**	3,480.8
	41,015.9	25,247.8

The table below sets out the maturities of the Group's borrowings as at the dates indicated:

	As at 31 December	
	2009	2008
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**21,942.9**	17,472.8
Between one and two years	**3,991.6**	3,669.9
Between two and three years	**8,754.5**	1,651.4
Between three and five years (inclusive of both years)	**2,626.9**	1,229.7
Over five years	**3,700.0**	1,224.0
Total	**41,015.9**	25,247.8

As at 31 December 2009, bank loans in the amount of RMB2,411.5 million were secured by assets of the Group with a total carrying value of RMB5,036.2 million.

As at 31 December 2009 and 31 December 2008, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 53.3% and 42.9%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

Almost all of the Group's businesses were operated in RMB. The Group is not exposed to any significant exchange risks.

Contingent Liabilities

Certain contingent liabilities were incurred resulting from the Group's provision of guarantee to banks in respect of bank credits used by an independent subcontractor. The highest un-discounted values of the underlying payment resulting from such guarantee are set out as follows:

	As at 31 December	
	2009	2008
	(RMB in millions)	
Used by connected parties before acquisition for subsidiaries guarantee to banks, in respect of bank credits	**63.0**	69.0
Guarantee to banks, in respect of bank credits used by an independent subcontractor	**166.0**	259.3
Total	**229.0**	328.3

FINANCIAL REVIEW *(CONTINUED)*

Capital Commitments

The following table sets out our capital commitments as at the dates indicated:

	As at 31 December	
	2009	2008
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted for but no provisions have been made)	**2,108.7**	212.9
Capital expenditure of the Company in respect of prepaid lease payments (contracted for but no provisions have been made)	**27.1**	6.5
Capital expenditure of the Company in respect of equity acquisition (contracted for but no provisions have been made)	**139.4**	1,074.6

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2009 by segment:

		For the year ended 31 December 2009	
		(RMB in millions)	*% of total*
Cement		**5,734.9**	**82.7**
Among:	China United	**2,039.7**	**29.4**
	South Cement	**3,641.8**	**52.5**
	North Cement	**53.4**	**0.8**
Lightweight building materials		**670.5**	**9.7**
Glass fiber and FRP products		**289.6**	**4.2**
Engineering services		**162.1**	**2.3**
Others		**80.8**	**1.1**
Total		**6,937.9**	**100.0**

FINANCIAL REVIEW *(CONTINUED)*

Bank Balances and Cash

Our bank balances and cash was RMB3,843.6 million as at 31 December 2009 and RMB3,726.3 million as at 31 December 2008.

Cash Flow from Operating Activities

For 2009, our net cash inflow generated from operating activities was RMB4,209.9 million. Such net cash inflow was primarily due to RMB6,177.8 million of cash flow from operating activities before the change in working capital, primarily offset by a RMB1,324.1 million decrease in trade and other payables and a RMB739.8 million increase in inventories.

Cash Flow from Investing Activities

For 2009, our net cash outflow from investing activities was RMB13,881.9 million, which was primarily due to a RMB5,574.3 million decrease in other payables, expenditure of RMB1,118.4 million for acquisition of subsidiaries, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB5,892.5 million in total and a RMB3,075.8 million increase in deposits paid.

Cash Flow from Financing Activities

For 2009, we had a net cash inflow from financing activities amounting to RMB9,789.5 million, primarily attributable to a total of RMB47,056.8 million in new borrowings, partially offset by RMB33,817.6 million for repayment of borrowings.

The Company has complied with the "Code of Corporate Governance Practices" (the "Code") as set out in Appendix 14 of Listing Rules during the period from 1 January 2009 to 31 December 2009, standardized its operation and promoted the continuous improvement of corporate governance. Under the guidance of the regulatory documentation such as the Listing Rules, articles of association of the Company, the "Working Rules of the Audit Committee" and "Working Rules of the Remuneration Committee", an efficient checks and balances mechanism has been achieved within the Company through coordination among the general meetings, the Board and its related special board committees, the Supervisory Committee and the management led by the president. The internal management and operation of the Company was also further standardized with a view to enhancing its intrinsic value. The Company is committed to optimization of its management system and framework for sustainable development and controlling operating risks to improve its performance in the interest of its shareholders.

I. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has confirmed that they complied with the Model Code during the period from 1 January 2009 to 31 December 2009.

II. THE BOARD

During 2009, the Board of the Company held 7 board meetings to consider and determine significant events including corporate strategy and major acquisition and merger. All directors attended the meetings in person or by proxy. The management is responsible for the implementation of strategies and administration work related to daily operations.

II. THE BOARD *(CONTINUED)*

The members of the Company's Board and the attendance of directors at Board meetings during the year are as follows:

Position	Name	Attendance rate *(%)*
Executive Director	Song Zhiping	100
Executive Director	Cao Jianglin	100
Executive Director	Li Yimin	100
Executive Director	Peng Shou	100 (14.29 of which by proxy)
Executive Director	Cui Xingtai	100
Non-executive Director	Cui Lijun	100
Non-executive Director	Huang Anzhong	100
Non-executive Director	Zuo Fenggao	100 (42.86 of which by proxy)
Independent Non-executive Director	Zhang Renwei	100
Independent Non-executive Director	Zhou Daojiong	100
Independent Non-executive Director	Chi Haibin	100 (14.29 of which by proxy)
Independent Non-executive Director	Lau Ko Yuen, Tom	100
Independent Non-executive Director	Li Decheng	100 (14.29 of which by proxy)

Note: Mr. Cui Xingtai was appointed as a director of the Company on 24 August 2009. He attended all the board meetings held by the Company subsequent to his appointment.

There is no finance, business, family relationship(s) or any other material connection between our directors, including between the chairman and the chief executive.

III. OPERATION OF THE BOARD

The Board of the Company is elected by shareholders at general meeting and reports to general meeting. The Board is the highest decision-making authority during the adjournment of general meeting. The primary responsibilities of the Board are to provide strategic guidance to the Company, exercise effective supervision over the management, ensure that the Company's interests are protected and report to the shareholders. The Board makes decisions on certain significant matters, including business plans and investment proposals; the proposed annual preliminary and final financial budget; the debt and financial policies and proposals for increases or reductions of the Company's registered share capital and the issue of corporate debentures; interim and annual financial reports; interim and annual profit distribution plan and proposal for provision of indemnity for losses; significant matters involving material acquisition or disposal proposals of the Company and plans for the merger, division or dissolution of the Company; the establishment of the Company's internal management structure; and the appointment or removal of the members of the executive levels of the Company and determination of their remuneration. The directors are elected in strict compliance with the procedures for election and appointment of directors provided for in the Company's articles of association. The directors are able to attend board meetings and perform their duties as directors earnestly and diligently in order to make important decisions for the Company, supervise the members of the executive levels of the Company and communicate with shareholders. After the Board makes decisions, the implementation of specific matters shall be completed by the management of the Company and the management shall be required to report such implementation to the Board.

The Company has established a system of independent directors. There are five independent non-executive directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive directors to be independent of the Company, its substantial shareholders and connected persons and fully complies with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Chi Haibin and Mr. Zhou Daojiong, independent non-executive directors of the Company, have appropriate accounting and financial expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for Mr. Chi Haibin and Mr. Zhou Daojiong's biographies. The five independent non-executive directors do not hold other positions in the Company. They protect the interests of minority shareholders independently and objectively, and provide checks and balances in the decision-making of the Board according to the articles of association of the Company and requirements of the relevant laws and regulations. The Board has also established an Audit Committee and a Remuneration Committee. The main responsibility of these committees is to provide support to the Board in decision-making and make recommendations for the improvement of the corporate governance level of the Company.

IV. CHAIRMAN AND PRESIDENT

Mr. Song Zhiping is the Chairman of the Company and Mr. Cao Jianglin is the President of the Company. Pursuant to the Company's articles of association, the primary duties and responsibilities of the Chairman are chairing the general meetings and convening and holding board meetings, checking the implementation of board resolutions, signing the securities issued by the Company, and other duties and powers authorized by the Company's articles of association and the Board. The major responsibilities of the President are taking charge of production, operation and management matters, organizing the implementation of board resolutions, organizing the implementation of annual business plans and investment proposals of the Company, formulating plans for the establishment of the Company's internal management structure, formulating plans for the establishment of the Company's branches, devising the basic management system of the Company, reviewing basic rules and regulations of the Company, proposing the appointment or removal of the Vice President and the Chief Financial Officer of the Company, appointing or removing management members apart from those that should be appointed or removed by the Board, and performing other duties and powers authorized by the articles of association of the Company and the Board.

V. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Pursuant to the Company's articles of association, directors including the non-executive directors shall be elected by the general meeting and serve a term of three years. Upon the expiry of their term of office, the directors may be re-elected and reappointed.

VI. REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises two independent non-executive directors, namely Mr. Zhang Renwei who is the chairman of the committee and Mr. Zhou Daojiong, and an executive director, Mr. Song Zhiping as required under the Code. The members of the committee have remained unchanged since 1 January 2007. The"Working Rules of the Remuneration Committee" specifies the responsibilities and duties of the committee.

The Remuneration Committee is responsible for determining the remuneration and reviewing the performance of the directors and senior management, based on the remuneration and performance management policies and framework pertaining to directors and senior management which have been formulated by the Board. The committee held one meeting with a 100% attendance in 2009.

Set out below is a summary of work done by the Remuneration Committee of the Company during 2009:

The first meeting of the second session of the Remuneration Committee considered and approved the remuneration proposals for senior management members for the year 2008.

VI. REMUNERATION COMMITTEE *(CONTINUED)*

Fees for directors and supervisors of the Company are still subject to the standards determined at the third meeting of the first session of the Remuneration Committee.

The Remuneration Committee also makes recommendations to the Board in respect of the remuneration of directors, supervisors and senior management. Remuneration of directors and supervisors is submitted for the consideration and approval of the Board. After the approval of the Board, remuneration of the directors and supervisors is submitted for approval at the general meeting. Remuneration for senior management is considered and approved by the Board. Annual remuneration of senior management comprises four components including basic salary, performance-based salary, special award and share appreciation rights. Basic salary is determined by taking responsibility, capability and market rates into consideration. Performance-based salary is determined on the basis of assessment of economic responsibility. Special awards are granted to those who have made prominent contributions to the Company's results or in certain aspects. The share appreciation rights are implemented according to the Company's "Share Appreciation Rights Proposal".

VII. NOMINATION OF DIRECTORS

Pursuant to the articles of association of the Company, election and change of directors should be considered by shareholders at the general meetings. Shareholders holding 5% or more of the Company's shares which carry voting rights are entitled to propose the director candidates to the Board which shall then authorize its Chairman to prepare a list of the candidates proposed by such shareholders. Under the authorization of the Board, the Chairman prepares a list of candidates and instructs the Secretariat of the Board and the relevant departments to prepare relevant procedural documents, including but not limited to candidate invitation letters, confirmation letters, biographies of candidates and resignation letters.

The Secretariat of the Board is responsible for submitting candidate invitation letters to be signed by the Chairman and/or the shareholders entitled to make proposals, and then dispatching such letters to the candidates who will return the signed confirmation letters. Meanwhile, retiring directors are required to sign resignation letters. Pursuant to the articles of association of the Company, the Company is required to issue a written notice of the general meeting and a circular to shareholders 45 days in advance. Pursuant to Rule 13.51(2) of the Listing Rules, the list, biographies and emoluments of the director candidates must be set out in the circular to shareholders to facilitate voting by shareholders at their discretion. The election of new directors is subject to approval of more than half of the total voting shares held by shareholders and the representatives of the independent shareholders present at the general meeting.

On 23 June 2009, the fifth extraordinary meeting of the second session of the Board was convened by the Company to consider the election of Mr. Cui Xingtai as an executive director of the Company.

The Company has not established a Nomination Committee.

VIII. AUDITORS' REMUNERATION

At the Board meeting convened on 21 April 2009, directors resolved to propose to the general meeting the appointment UHY Vocation HK CPA Limited and Vocation International Certified Public Accountant Co., Ltd as the overseas and domestic auditors of the Company for 2009 respectively. The Board was authorized by the annual general meeting convened on 26 June 2009 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB7.29 million was paid by the Company to the auditors for their professional audit services.

During the reporting period, save for the financial audit services, the aforesaid auditors did not provide to the Company other significant non-audit services.

IX. AUDIT COMMITTEE

The Audit Committee of the Company comprises two independent non-executive directors, namely Mr. Chi Haibin (the Chairman of the committee) and Mr. Zhou Daojiong and one non-executive director, namely Ms. Cui Lijun. Among them, Mr. Chi Haibin and Mr. Zhou Daojiong possess professional qualifications or accounting or related financial management experience. Under the "Working Rules of the Audit Committee", the chairman of the committee must be an independent non-executive director and all resolutions of the committee must be approved by the independent non-executive directors.

The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal controls and risk management. In 2009 the Audit Committee held two meetings, both with a 100% attendance rate. The recommendations of the Audit Committee have been presented to the Board and acted upon (if applicable).

Set out below is a work summary of the Audit Committee during 2009:

During the reporting period, the Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, amongst others, the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2008 and the interim financial report for 2009.

During the reporting period, the Audit Committee has operated in accordance with Appendix 14 to the Listing Rules, including reviewing the Group's financial reports and results for the year ended 31 December 2009.

During the reporting period, the directors of the Company have acknowledged their responsibility for preparing the accounts. The Board has carried out a systemic analysis and review of the financial and operational risks and risk prevention of the Group, as well as the compliance control during the interim and year end. This analysis highlighted certain weak areas or imperfections and a proposal for the improvement of these areas by the management of the Company has been made. The reporting responsibilities of external auditors are set out in the Independent Auditor's Report of the annual report.

X. SHAREHOLDERS AND GENERAL MEETINGS

To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes a general meeting every year pursuant to its articles of association and holds extraordinary general meetings when there are matters subject to the consideration of shareholders. At the 2008 annual general meeting of the Company held on 26 June 2009, 6 ordinary resolutions and 2 special resolutions in relation to authorizing the Board to issue the Company's shares and amendments to the Company's articles of association were approved and passed. At the extraordinary general meeting convened on 24 August 2009, the resolution in relation to the acquisition of the equity interests held by Sanshi Group in ten enterprises and the resolution relating to the appointment of Mr. Cui Xingtai as a director of the Company and the amendment to the articles of association of the Company to reflect the increase in the number of directors were approved.

XI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee of the Company reports to the general meeting. Its members comprise two shareholders' representatives and two supervisors elected by the employees' representatives and two independent supervisors. The supervisors have discharged their duties conscientiously in accordance with the provisions of the Company's articles of association, attended all the Board meetings consistently, and submitted the Supervisory Committee Report and presented certain recommendations. In line with the spirit of accountability to all shareholders, the Supervisory Committee monitored the financial affairs of the Company and the performance of duties and responsibilities by the directors, president and other senior management personnel of the Company to ensure that they have performed their duties. The Supervisory Committee has participated actively in major matters of the Company such as production, operation and investment projects and has made constructive recommendations.

XII. INTERNAL CONTROL

In order to comply with the requirements under the Listing Rules, strengthen the Company's internal control management and ensure healthy and effective internal controls have been put into place, the Company has formulated a series of internal management systems covering financial management, investment management, audit management, etc. The Board considered and approved the Code for Securities Transactions of China National Building Material Company Limited and the Information Disclosure System of China National Building Material Company Limited and the Investor Management Measures of China National Building Material Company Limited on 4 January 2007. To comply with the amendments to the Listing Rules which took effect on 1 January 2009, the Board considered and approved certain amendments to the Code for Securities Transactions of China National Building Material Company Limited on 21 April 2009.

In accordance with the provisions of section C.2.1 of the Code on Corporate Governance Practices, the Directors also reviewed the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period, covering matters such as financial control, operation control, compliance control and risk management function control.

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2009 to its shareholders.

PRINCIPAL BUSINESS

The Group is a holding company and its subsidiaries are mainly engaged in the cement, lightweight building materials, glass fiber, composite materials and engineering services businesses. Particulars of the businesses of the Group's subsidiaries are set out in Note 6, Note 19 and Note 20 to the Group's consolidated financial statements respectively.

RESULTS

The results of the Group for the year are set out in the Consolidated Income Statements in this annual report.

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB0.07 per share (pre-tax) for the period from 1 January 2009 to 31 December 2009 (2008: RMB0.045 per share (pre-tax)), representing a total amount of RMB173,685,069.11 (pre-tax).

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 18 June 2010. Shareholders whose names appear on the register of members on Friday, 18 June 2010 will be eligible for the final dividend. The registers of members of the Company will be closed from Wednesday, 19 May 2010 to Friday, 18 June 2010 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at Tricor Investor Services Limited, the Company's H Share Registrar, not later than 4:30 p.m. on Tuesday, 18 May 2010 to facilitate the share transfer registration.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB36,589,612,000. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of each of the principal subsidiaries and associates of the Company are set out in Notes 19 and 20 to the consolidated financial statements, respectively.

CAPITALISED INTERESTS

Details of capitalised interests of the Company during the year are set out in Note 8 to the consolidated financial statements.

Share Capital Structure (as at 31 December 2009)

	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	1,280,577,054	51.61%
H Shares	1,200,638,219	48.39%
Total share capital	2,481,215,273	100%

Substantial Shareholders (as at 31 December 2009)

Name of shareholders	Class of shares	Number of shares held	Percentage of total share capital *(%)*
Parent	Domestic Shares	339,264,650	13.67
BNBMG	Domestic Shares	755,665,178	30.46
CNBM Trading	Domestic Shares	115,834,375	4.67
Cinda	Domestic Shares	69,216,154	2.79
Building Materials Academy	Domestic Shares	596,697	0.02
Public Investors	H Shares	1,200,638,219	48.39
Total share capital		2,481,215,273	100

Note: Any discrepancies in the table between totals and sums of shareholding percentages are due to rounding.

DISCLOSURE OF INTERESTS

I. Substantial Shareholders and persons who have an interest or short position discloseable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")

So far as was known to directors or supervisors of the Company, as at 31 December 2009, the shareholders (other than the directors and supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital(%) [2, 7]	Percentage in total share capital(%) [2, 7]
Parent[1, 6]	Domestic Shares	1,211,360,900[3]	94.59	48.82
BNBMG[1]	Domestic Shares	755,665,178[3]	59.01	30.46
CNBM Trading[1]	Domestic Shares	115,834,375[3]	9.05	4.67
Cinda[6]	Domestic Shares	69,216,154[3]	5.41	2.79
JPMorgan Chase & Co.	H Shares	337,070,011[3]	28.07	13.58
	H Shares	68,000[5]	0.01	0.003
	H Shares	175,608,803[4]	14.63	7.08
Morgan Stanley	H Shares	99,113,761[3]	8.26	3.99
	H Shares	90,006,994[5]	7.50	3.63
T. Rowe Price Associates, Inc. and its affiliates	H Shares	72,340,000[3]	6.02	2.92
Plowden Charles	H Shares	64,274,000[3]	5.35	2.59
Warden Alison	H Shares	64,274,000[3]	5.35	2.59
Atlantis Investment Management Ltd	H Shares	60,251,000[3]	5.02	2.43

DISCLOSURE OF INTERESTS *(CONTINUED)*

I. Substantial Shareholders and persons who have an interest or short position discloseable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(Continued)*

Notes:

1. Of these 1,211,360,900 shares, 339,264,650 shares are directly held by Parent, the remaining 872,096,250 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% of its equity interests, of which 65% is directly held and 35% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to own the shares directly held by BNBMG (755,665,178 shares), CNBM Trading (115,834,375 shares) and Building Materials Academy (596,697 shares).

2. At 31 December 2009, the Company's total issued share capital comprises 2,481,215,273 shares, including 1,280,577,054 Domestic Shares and 1,200,638,219 H Shares.

3. Long position.

4. Lending pool.

5. Short position.

6. Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("Transfer of Shares") and consequently, under the SFO, Parent was deemed to own 1,260,360,900 Domestic Shares (representing 98.42% in the Domestic Shares capital and 50.80% in the total share capital) and Cinda was deemed to own 20,216,154 Domestic Shares (representing 1.58% in the Domestic Shares capital and 0.81% in the total share capital). As at 31 December 2009, the formalities in respect of the registration of the Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this report, the formalities in respect of the registration of the Transfer of Shares is still under process and is yet to complete.

7. All the above percentages are calculated by rounding to two or three decimal places.

Save as disclosed above, as at 31 December 2009, the Company has not been notified by any persons who have interests or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS *(CONTINUED)*

II. Interests and Short Positions of Directors and Supervisors

As at 31 December 2009, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the Group's total sales amount.

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchase amount.

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

Save as disclosed in the section headed "MATERIAL TRANSACTIONS - Placing of New H Shares" on page 77 of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2009 ("securities" shall have the meaning as defined in the Listing Rules).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2009, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and so far as the directors are aware, as at the date hereof, more than 25% of the Company's total issued share is held by the public, which satisfied the requirement of the Listing Rules.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity of this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group had approximately 54,121 employees.

The remuneration package of the Company's employees includes salary, bonuses and allowances. In accordance with relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Company's remuneration policy for its staff is performance based, taking into account duties and responsibilities while bonus is linked to the overall economic efficiency of the Company.

The Company endeavours to provide training to its employees. On-job training and continuous training plans include management skills and technical training, overseas communication plans and other courses. The Company also encourages employees to improve themselves by offering scholarships.

SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and shareholder value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights (the "Plan") for the Group's senior management officers, senior experts and specialist who make important contributions to the Group.

Under the Plan, a share appreciation rights ("SA Rights") represents the right to receive a cash payment equal to the appreciation, if any, in the fair market value of an H Share from the date of the grant of the right to the date of exercise.

SA Rights will be granted in units with each unit representing one H Share. All SA Rights will have an exercise period of six years from the date of grant. An individual may not exercise his or her SA Rights during the first two years after the date of grant. After two and three years of the date of grant, the total number of SA Rights exercised by an individual may not in aggregate exceed one-third and two-thirds, respectively, of the total SA Rights granted to the individual. After four years of the date of grant, the SA Rights will be fully vested.

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HK$3.5 each unit to the senior management of the Company as follows:

	Units of SA Rights granted
Directors and a supervisor of the Company	2,680,000
Other senior management	3,200,000
	5,880,000

As the SA Rights vest at different amounts until the grantee have completed a specified period of service and none of SA Rights were granted during the reporting period, the Company recognised the services received and a liability of RMB2,877,000 (2008: RMB2,877,000) during the reporting period, being the estimated compensation paid for service rendered by the grantee during the year.

According to Guo Zi Fa Fen Pei [2006] No.8, "Trial Method for Share Incentive Scheme of State-controlled Listing Company", the compensation should not exceed 40% of personal total salary and bonus.

DIRECTORS AND SUPERVISORS (AS AT THE DATE OF THIS REPORT)

Executive Directors:

Song Zhiping	(appointed on 10 March 2005)
Cao Jianglin	(appointed on 10 March 2005)
Li Yimin	(appointed on 27 January 2006)
Peng Shou	(appointed on 20 June 2006)
Cui Xingtai	(appointed on 24 August 2009)

Non-executive Directors:

Cui Lijun	(appointed on 10 March 2005)
Huang Anzhong	(appointed on 10 March 2005)
Zuo Fenggao	(appointed on 10 March 2005)

Independent Non-executive Directors:

Zhang Renwei	(appointed on 10 March 2005)
Zhou Daojiong	(appointed on 12 May 2005)
Chi Haibin	(appointed on 12 May 2005)
Li Decheng	(appointed on 29 August 2008)
Lau Ko Yuen, Tom	(appointed on 27 January 2006)

Supervisors:

Shen Anqin	(appointed on 10 March 2005)
Zhou Guoping	(appointed on 10 March 2005)
Cui Shuhong	(appointed on 10 May 2005)
Liu Zhiping	(appointed on 30 June 2008)
Ma Zhongzhi	(appointed on 30 June 2008)
Liu Chijin	(appointed on 12 May 2005)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As of the date of this report, each of the directors and supervisors has entered into a service contract with the Company for a term of a maximum of three years. There is no unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) in respect of any director proposed to be re-elected.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the date of this report, during the year of 2009 and at any time during the period from the end of the year to the date of the report, except for the relevant service contracts, there were no contracts of significance to which the Company or any of its holding companies or its subsidiaries was a party and in which any of directors or supervisors had a material interest, whether directly or indirectly.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year are set out in Note 9 to the consolidated financial statements.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

As at the date of this report, the Board comprised 13 directors, whose biographies are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The Board established two special committees, namely, the Audit Committee and Remuneration Committee, details of which are set out in the section headed "Corporate Governance Report" herein.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the first extraordinary general meeting for 2009 convened on 24 August 2009, Mr. Cui Xingtai was elected as an executive director of the second session of the Board for a same term as the second session of the Board.

MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Company, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management of all or any material part of the Company's business.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

Except for the transactions with BNBM Homes which is an indirectly non-wholly owned subsidiary of the Company, the remaining connected transactions, which are also related party transactions, are set out in Note 39 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure". The transactions with BNBM Homes are regarded as connected transactions pursuant to Chapter 14A of the Listing Rules and the transactions were eliminated in preparing the consolidated financial statements.

During the year, the Company entered into certain transactions which are defined as continuing connected transactions pursuant to Chapter 14A of the Listing Rules, for which the Stock Exchange has granted the Company a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules on 1 November 2007.

Transactions with Parent Group

As at 31 December 2009, parent has a direct equity interest of 13.67% and total direct and indirect equity interest of 48.82% in the Company. It is a controlling shareholder and a promoter of the Company. Each of Parent and its subsidiaries therefore constitutes a connected person of the Company under the Listing Rules.

1. Master Mineral Supply Agreement

   On 2 November 2007, the Company entered into a Master Mineral Supply Agreement with Parent, for a term of three years commencing from 1 January 2008, whereby Parent agreed to supply, or procure its subsidiaries to supply, to the Company limestone and clay for the production of clinker and other cement products. Parent shall supply to the Company limestone and clay from its quarries at the market price, namely, the price at which the same type of mineral is provided to Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2009, the Group's expenditure for limestone and clay supplied by Parent Group was RMB94.7 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

2. Master Mutual Provision of Production Supplies and Support Services Agreement

   On 2 November 2007, the Company entered into a Master Mutual Provision of Production Supplies and Support Services Agreement with Parent for a term of three years commencing from 1 January 2008, pursuant to which:

   (a) Parent agreed to provide, or procure its subsidiaries to provide, the following production supplies and Support services to the Company:

   - Production supplies: oriented strand board, cement ancillary grind mill, plastic pipes and other similar raw materials for the Group's production; spare parts and other materials for the projects undertaken by the Group's engineering segment; other similar supplies; and

   - Support services: transport station and loading services; equipment repair, design and installation services; equipment and vehicles leasing; water, electricity and steam; property management services; other similar services;

   (b) The Company agreed to provide, or procure its subsidiaries to provide the following production supplies and support services to Parent:

   - Production Supplies: clinker, cement, lightweight building materials and other building materials; prefabricated houses; other similar supplies; and

   - Support services: transportation and loading services; mining equipment leasing; water, electricity and steam; other similar services.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

2. Master Mutual Provision of Production Supplies and Support Services Agreement *(Continued)*

   The production supplies and support services pursuant to the Master Mutual Provision of Production Supplies and Support Services Agreement shall be provided at:

   (a) the government-prescribed price;

   (b) if there is no government-prescribed price but there is a government-guided price, the government- guided price applies;

   (c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Master Mutual Provision of Production Supplies and Support Services Agreement, the term "market price" is defined as the price at which the same type of production supplies or support services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

   (d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant production supplies or support services, which shall be the reasonable costs incurred in providing the same plus a profit margin of not more than 5% of such costs. For the purpose of the Master Mutual Provision of Production Supplies and Support Services Agreement, the term" reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting systems of the PRC.

   The prices for electricity, water and steam are currently prescribed by the government.

   For the year ended 31 December 2009, the Group's expenditure for the production supplies and support services provided by Parent Group was approximately RMB108.7 million.

   For the year ended 31 December 2009, the Group's revenue from the production supplies and support services provided to Parent Group was approximately RMB89.9 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

3. Master Supply of Equipment Agreement

   On 2 November 2007, the Company entered into a Master Supply of Equipment Agreement with Parent for a term of three years commencing from 1 January 2008, whereby Parent agreed to supply, or procure its subsidiaries to supply, equipment to the Company for the construction of our production lines. The equipment provided pursuant to the Master Supply of Equipment Agreement shall be at the market price, namely, the price at which the same type of equipment is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2009, the Group's expenditure for equipment supplied by Parent Group was RMB50.9 million.

4. Master Provision of Engineering Services Agreement

   On 2 November 2007, the Company entered into a Master Provision of Engineering Services Agreement with Parent for a term of three years commencing from 1 January 2008, pursuant to which, Parent agreed to provide, or procure its subsidiaries to provide, the Company with engineering design, construction and supervisory services. The prices of all contracts for engineering services to be provided pursuant to the Master Provision of Engineering Services Agreement shall be in accordance with the state-guided price. If there is no state-guided price, then according to market price. Where contracts are to be tendered, the price for the provision of engineering services shall be set according to the procedures adopted by the tender supervisory and administrative bureau in the locality of the construction project, which should be maintained at a level reasonably close to the lowest market price. For the purpose of the Master Provision of Engineering Services Agreement, the term "state-guided price" shall mean the price which the contracting parties may agree, which is within the price range set in accordance with the applicable laws and regulations of the PRC; and the term "market price" shall mean either the price at which the same type of engineering design, construction and supervisory services are provided by Independent Third Parties in the same area, in the vicinity or in the PRC in the ordinary course of their businesses on normal commercial terms or the price at which the same type of engineering design, construction and supervisory services are provided to Independent Third Parties in the PRC on normal commercial terms.

   For the year ended 31 December 2009, the Group's expenditure for engineering services supplied by Parent Group was RMB1.8 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with BNBM Homes

BNBM Homes is an indirect non-wholly-owned subsidiary of the Company. BNBMG, a controlling shareholder and promoter of the Company, has an 11% equity interest in BNBM Homes. BNBM Homes therefore constitutes a connected person of the Company under the Listing Rules.

5. Master Mutual Provision of Production Supplies and Support Services Agreement

   On 2 November 2007, BNBM entered into a Master Mutual Provision of Production Supplies and Support Services Agreement with BNBM Homes for a term of three years commencing from 1 January 2008, pursuant to which,

   (a) BNBM agreed to provide to BNBM Homes the followings:

   - Production supplies: gypsum board, rock wool, lightweight metal frame and other raw materials for the construction of prefabricated houses; and

   - Support services: transportation and loading services, water, electricity and steam.

   (b) BNBM Homes agreed to provide BNBM with the property sales and design services.

   The production supplies and support services pursuant to the Master Mutual Provision of Production Supplies and Support Services Agreement shall be provided at:

   (a) the government-prescribed price;

   (b) if there is no government-prescribed price but there is a government-guided price, the government- guided price applies;

   (c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Master Mutual Provision of Production Supplies and Support Services Agreement, the term "market price" is defined as the price at which the same type of production supplies or Support services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with BNBM Homes *(Continued)*

5. Master Mutual Provision of Production Supplies and Support Services Agreement *(Continued)*

    (b) BNBM Homes agreed to provide BNBM with the property sales and design services. *(Continued)*

        (d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant production supplies or support services, which shall be the reasonable costs incurred in providing the same plus a profit margin of not more than 5% of such costs. For the purpose of the Master Mutual Provision of Production Supplies and Support Services Agreement, the term "reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting systems of the PRC.

    For the year ended 31 December 2009, BNBM's revenue from the production supplies and Support services provided to BNBM Homes was RMB0.7 million.

    For the year ended 31 December 2009, BNBM Homes' revenue from the production supplies and support services provided to BNBM was RMB1.7 million.

Transactions with Liberty Group

Liberty Group has a 25% equity interest in Zhongfu Liberty, an indirect non-wholly owned subsidiary of the Company. It is a substantial shareholder of a subsidiary of the Company and therefore constitutes a connected person of the Company under the Listing Rules.

6. Provision of Technical Consultation Services Agreement

    On 2 November 2007, China Composites and Zhongfu Liberty entered into a Provision of Technical Consultation Services Agreement for the provision of technical consultation services to Liberty Group for a term of three years commencing from 1 January 2008.

    The technical consultation services under the Provision of Technical Consultation Services Agreement shall be provided at market price. The term "market price" means the price at which the same type of service is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

    For the year ended 31 December 2009, the Group has not generated any income from the technical consultation services provided to Liberty Group.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Tianma Group

Tianma Group has a 35% equity interest in Zhongxin Tianma, an indirect non-wholly owned subsidiary of the Company. It is a substantial shareholder of a subsidiary of the Company and therefore constitutes a connected person of the Company under the Listing Rules.

7. Master Production Supplies and Support Services Agreement

   On 2 November 2007, the Company entered into a Master Production Supplies and Support Services Agreement with Tianma Group for a term of three years commencing from 1 January 2008, pursuant to which, Tianma Group agreed to provide the Company's subsidiaries with products including fiber and wood glue and services including water, electricity and sewage treatment.

   The production supplies and support services pursuant to the Master Production Supplies and Support Services Agreement shall be provided at:

   (a) the government-prescribed price;

   (b) if there is no government-prescribed price but there is a government-guided price, the government guided price applies;

   (c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Master Production Supplies and Support Services Agreement, the term "market price" is defined as the price at which the same type of production supplies or support services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

   (d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant production supplies or support services, which shall be the reasonable costs incurred in providing the same plus a profit margin of not more than 5% of such reasonable costs. For the purpose of the Master Production Supplies and Support Services Agreement, the term "reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting systems of the PRC.

   For the year ended 31 December 2009, the Group's expenditure for production supplies and support services provided by Tianma Group was RMB12.1 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Shuichan Group

Shuichan Group has a 49% equity interest in Zhongfu Xigang, a non-wholly-owned subsidiary of the Company. Shuichan Group is a substantial shareholder of a subsidiary of the Company and therefore constitutes a connected person of the Company under the Listing Rules.

8. Mutual Provision of Production Supplies and Support Services Agreement

   On 2 November 2007, Zhongfu Xigang entered into a Mutual Provision of Production Supplies and Support Services Agreement with Shuichan Group for a term of three years commencing from 1 January 2008, pursuant to which,

   (a) Zhongfu Xigang agreed to provide Shuichan Group with materials, equipment and support services.

   (b) Shuichan Group agreed to provide Zhongfu Xigang with supply of electricity, water, materials, equipment and support services:

   The production supplies and support services pursuant to the Mutual Provision of Production Supplies and Support Services Agreement shall be provided at:

   (a) the government-prescribed price;

   (b) if there is no government-prescribed price but there is a government-guided price, the government guided price applies;

   (c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Mutual Provision of Production Supplies and Support Services Agreement, the term "market price" is defined as the price at which the same type of production supplies or support services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

   (d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant production supplies or support services, which shall be the reasonable costs incurred in providing the same plus a profit margin of not more than 5% of such costs. For the purpose of the Mutual Provision of Production Supplies and Support Services Agreement, the term "reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting systems of the PRC.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Shuichan Group *(Continued)*

8. Mutual Provision of Production Supplies and Support Services Agreement *(Continued)*

   The prices for electricity, water and steam are currently prescribed by the government.

   For the year ended 31 December 2009, Zhongfu Xigang's expenditure for production supplies and support services provided by Shuichan Group was RMB3.7 million.

   For the year ended 31 December 2009, Zhongfu Xigang has not generated any income from production supplies and support service provided to Shuichan Group.

Transactions with Aobao Chemical

Aobao Chemical has a 25% equity interest in Weifang Aotai, an indirect non-wholly owned subsidiary of the Company. It is a substantial shareholder of a subsidiary of the Company and therefore constitutes a connected person of the Company under the Listing Rules.

9. Supply of Raw Material Agreement

   On 2 November 2007, Weifang Aotai and Aobao Chemical entered into a Supply of Raw Material Agreement for a term of three years commencing from 1 January 2008, pursuant to which Aobai Chemical agreed to supply Weifang Aotai with raw materials for the production of gypsum.

   The raw materials pursuant to the Supply of Raw Material Agreement shall be provided at market price. The term "market price" means the price at which the same type of raw material is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2009, Weifang Aotai has not incurred any expenditure for raw materials supplied by Aobao Chemical.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Xixiaguanhe

As Xixiaguanhe is a 70% owned subsidiary of Henan Ruifa which in turn has a 20% equity interest in Xixia China United, Xixiaguanhe is an associate of a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules.

10. Provision of Production Supplies Agreement

    On 2 November 2007, Xixia China United and Xixiaguanhe entered into a Provision of Production Supplies Agreement for a term of three years commencing from 1 January 2008, pursuant to which Xixiaguanhe agreed to provide slag powder to Xixia China United for the production of cement.

    The slag powder pursuant to the Provision of Production Supplies Agreement shall be provided at market price, namely, the price at which the same type of slag powder is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

    For the year ended 31 December 2009, Xixia China United has not incurred any expenditure for slag powder provided by Xixiaguanhe.

Transactions with Xixia Logistics

As Xixia Logistics is a 70% owned subsidiary of Henan Ruifa which in turn holds a 20% equity interest in Xixia China United, Xixia Logistics is an associate of a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules.

11. Provision of Support Services Agreement

    On 2 November 2007, Xixia China United and Xixia Logistics entered into a Provision of Support Services Agreement for a term of three years commencing from 1 January 2008, pursuant to which Xixia Logistics agreed to provide transportation service to Xixia China United.

    The services pursuant to the Provision of Support Services Agreement shall be provided at:

    (a) the government-prescribed price;

    (b) if there is no government-prescribed price but there is a government-guided price, the government guided price applies;

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Xixia Logistics *(Continued)*

11. Provision of Support Services Agreement *(Continued)*

    (c) if there is neither a government-prescribed price nor a government-guided price, then the market price applies. For the purpose of the Provision of Support Services Agreement, the term "market price" is defined as the price at which the same type of production supplies or support services is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC; and

    (d) if none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the relevant production supplies or support services, which shall be the reasonable costs incurred in providing the same plus a profit margin of not more than 5% of such costs. For the purpose of the Provision of Support Services Agreement, the term "reasonable costs" is defined as the costs confirmed by both parties after arm's length negotiations and permitted by the accounting systems of the PRC.

    For the year ended 31 December 2009, Xixia China United has not incurred any expenditure for transportation service provided by Xixia Logistics.

    In addition, details of the above connected transactions were set out in the circular of the Company dated 15 November 2007.

    On 2 November 2007, Lunan China United and Hengzhijiu Trade entered into a Supply of Raw Material Agreement and Provision of Products Agreement, pursuant to which Hengzhijiu Trade agreed to provide coal to Lunan China United for the production of cement and Lunan China United agreed to provide cement to Hengzhijiu Trade for its operational use for a term of three years commencing from 1 January 2008. For the three months ended 31 March 2009, Lunan China United did not incur any expenditure or generate any income from the supply of raw material and product from Hengzhijiu Trade.

    Hengzhijiu Trade was a connected person of the Company when the above agreements were entered into on 2 November 2007 as Hengzhijiu Trade has a 29% equity interest in Hengjiu Concrete, and Hengjiu Concrete was an indirect non-wholly-owned subsidiary of the Company.

    However, Lunan China United entered into an Equity Transfer Agreement on 31 December 2008 and transferred the 71% equity interest it held in Hengjiu Concrete to Hengzhijiu Trade, therefore Hengjiu Concrete ceased to be an indirect non-wholly-owned subsidiary of the Company. As a result, Hengzhijiu Trade ceased to be a connected person of the Company and the transactions between Lunan China United and Hengzhijiu Trade are no longer connected transactions under the Listing Rules upon completion of the equity transfer registration procedures in March 2009.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors has engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors.

The auditors of the Company have reviewed the continuing connected transactions of the Group, and confirmed to the Board that:

(1) the transactions have been approved by the Board of Directors;

(2) the transactions involving provision of goods or services provided by the Group were conducted in accordance with the pricing policies of the Group;

(3) the transactions were conducted in accordance with the terms of the agreement governing it; and

(4) the values of continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual cap.

Non-Exempt Connected Transactions

During 2009 and up to the date of this report, the Company has entered into the following non-exempt connected transactions:

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Connected Transactions *(Continued)*

Acquisition of cement companies' equity interests held by Sanshi Group

On 26 June 2009, in a regulated auction process organized by Shanghai United Assets and Equity Exchange, South Cement succeeded in bidding and entered into 10 separate share acquisition agreements with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to further acquired 45% equity interests in Anhui Sanshi Hede Cement Company Limited, 38% equity interests in Shaoxing Sanshi Cement Company Limited, 40% equity interests in Jiande Sanshi Cement Company Limited, 49% equity interests in Tonglu Sanshi Building Materials Company Limited and 46% equity interests in Zhejiang Sanshi Group Jiaxing Cement Company Limited held by Sanshi Group, and to acquire 38% equity interests in Zhejiang Sanshi Group Changxing Jindingzi Building Materials Company Limited, 67.46% equity interests in Zhejiang Sanshi Cement Company Limited, 6.75% equity interests in Zhejiang Sanshi Group Wutong Building Materials Company Limited, 51% equity interests in Zhejiang Sanshi Group Xiaopu Cement Company Limited and 44.8% equity interests in Fuyang Sanshi Cement Company Limited for a total consideration of RMB750,000,000. As Parent and Sanshi Group are connected persons of the Company by virtue of Parent being a substantial shareholder of the Company and by virtue of Sanshi Group being a substantial shareholder of certain non-wholly owned subsidiaries of the Company as well as an associate of Parent, the acquisition constitutes a connected transaction.

Details of the acquisition were disclosed in the announcement of the Company dated 26 June 2009 and the circular of the Company dated 9 July 2009. As at the date hereof, consideration for the acquisition has been fully paid.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have reviewed these connected transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that the connected transactions have been conducted:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

NON-COMPETITION AGREEMENT

As at the date of this annual report, Parent confirmed that it has complied and will comply with the Non-Competition Agreement dated 28 February 2006 entered into with the Company. Pursuant to this agreement, Parent has agreed not to, and to procure its subsidiaries (excluding the Group) not to compete with the Group in its core businesses

None of the directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2009, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

Under the articles of association of the Company and the laws of the PRC, there are no provisions about pre-emptive rights that require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

AUDITORS

In accordance with the relevant notices issued by SASAC, Parent had been required to appoint Vocation International Certified Public Accountants Co. Ltd. to conduct a financial audit of the Group for the financial year ending 31 December 2008.

In the light of the above, the Company appointed Vocation International Certified Public Accountants Co. Ltd. as its auditors in the PRC in substitution of ShineWing Certified Public Accountants and UHY Vocation HK CPA Limited as its auditors in Hong Kong in substitution of Deloitte Touche Tohmatsu, for the financial year ended 31 December 2008, with effect from 1 September 2008.

At the Board meeting held on 26 June 2009, pursuant to the authorisation granted at the annual general meeting, the Board determined to continue to engage UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd. as international and domestic auditors of the Company respectively, to hold office until the conclusion of the next annual general meeting. UHY Vocation HK CPA Limited has audited the financial statements prepared under the International Financial Reporting Standards.

By order of the Board
Song Zhiping
Chairman

Beijing, the PRC
16 April 2010

The supervisory committee of China National Building Material Company Limited ("Supervisory Committee") has performed its supervisory duties and carried out supervision on the Company's operation and financial standing and the fulfillment of responsibilities by the Board and senior management through inspection of relevant documents, corporate information, financial reports and attendances at Board meetings during 2009 with reference to relevant laws, regulations and the articles of association of the Company based on the fiduciary principle, for the purpose of safeguarding the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended Board meetings, and performed due diligence on supervision and review of convening procedures of Board meetings, resolution matters, performance of resolutions passed in general meetings by the Board of Directors, fulfillment of duties by senior management, as well as the establishment, improvement and abidance of internal control systems of the Company in accordance with relevant laws and regulations. The Supervisory Committee is of the opinion that, all members of the Board and senior management of the Company have worked in compliance with relevant laws, regulations, code on practices and the articles of association of the Company. They have also discharged their duties with honesty and diligence, implemented resolutions passed and with authority which was granted by general meetings and acted in accordance with relevant laws, regulations and provisions. With their relentless efforts, the Company managed to confront the impacts of the financial crisis, tap the development opportunities arising from the government's policies and achieve remarkable operating results.

The Supervisory Committee has duly reviewed and approved the Report of the Board of Directors proposed to be submitted to the annual general meeting, and considers that the report is in consistence with the circumstance of the Company. During 2009, all members of the Board and senior management of the Company have duly performed rights authorised by shareholders and responsibilities under laws, and dedicated themselves to make significant contributions to the development of the Company.

The Supervisory Committee has carefully reviewed financial statements, profit distribution plans, the annual report and unqualified auditor's report prepared by the international auditors and domestic auditors of the Company and other relevant information for the year 2009. The Supervisory Committee is of the opinion that, the financial statements of the Company reflect an objective, true and fair view of the Company's financial state and operating results. The Supervisory Committee has approved the audited financial statements prepared by the auditors and the 2009 profit distribution plan of the Company.

Having attended Board meetings of the Company, reviewed the Company's financial standing and examined the directors' and senior management's performance of their duties, the Supervisory Committee did not find any breach of laws, regulations, the articles of association of the Company or other rules, or any prejudice against the interests of the Company or its shareholders.

The Supervisory Committee is satisfied with the business activities and results of the Company for 2009, and is confident in the Company's prospects. During 2010, the Supervisory Committee will continue to ensure that the interests of shareholders are safeguarded in strict compliance with the articles of association of the Company.

Shen Anqin
Chairman of the Supervisory Committee

Beijing, the PRC
16 April 2010

I. MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the Group was not involved in any litigation and arbitration which might have a significant impact on the Group's production and operation, nor was any of the directors, supervisors and senior management of the Group involved in any material litigation or arbitration.

II. MATERIAL TRANSACTIONS

1. Placing of New H Shares

On 5 February 2009, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and China International Capital Corporation Hong Kong Securities Limited, in relation to the placing of an aggregate of 298,555,032 H Shares of RMB1.00 each in the share capital of the Company (the "**Placing Shares**") at a gross price of HK$7.85 per Placing Share and a net price of HK$7.69 per Placing Share. The Placing Shares comprised (1) 272,727,273 H Shares allotted and issued by the Company (the "**New H Shares**") and (2) 25,827,759 Shares converted from the same number of the state-owned Domestic Shares transferred from Parent, BNBMG, Building Materials Academy and CNBM Trading (excluding the state-owned Domestic Shares held by Cinda) to the National Social Security Fund Association. The Placing Shares represented approximately 33.1% of then existing issued H share capital of the Company and approximately 24.9% of the issued H share capital of the Company as enlarged by the issue of the New H Shares. The net proceeds of the placing of the New H Shares were approximately HK$2,093,898,229 after deducting the commission and expenses of the placing. The Company intended to use the net proceeds from the placing of the New H Shares principally for funding, by way of the repayment of debt, the acquisitions and investments as set out in the announcement dated 30 January 2008, with the balance of the net proceeds to be used for the general corporate and working capital requirements of the Group.

Details of the placing of the New H Shares were disclosed in the announcement dated 30 January 2008, the circular dated 11 February 2008, the announcements dated 27 March 2008 and 5 February 2009, and the 2008 Interim Report published by the Company. As at the date of this report, the Placing of New H Shares has been completed.

2. Establishment of North Cement

On 6 March 2009, the Company, Liaoyuan Jingang and Hony Capital entered into the Capital Contribution Agreement with a view to establishing North Cement which will become the flagship company of the Group for developing the Group's cement business in the north region of the PRC. Upon completion of the capital contribution, North Cement will have a registered capital of RMB1 billion and will be held as to 45% by the Company, as to 45% by Liaoyuan Jingang and as to 10% by Hony Capital.

As at the date of this report, business registration of North Cement has been completed. North Cement has a registered capital of RMB 1 billion and is held as to 45% by the Company, as to 45% by Liaoyuan Jingang and as to 10% by Hony Capital.

Details of the establishment of North Cement were disclosed in the announcement of the Company dated 6 March 2009.

DIRECTORS

Executive Directors

Song Zhiping, aged 53, is an executive Director and Chairman. He has been the chairman of Parent since October 2005. Mr. Song joined the Group since May 1997 and has over 30 years of business and management experience in China's building materials industry. He served as the general manager of Parent from March 2002 to October 2005 and the chairman of China United during the period from March 2003 to April 2005. He also served as the vice general manager of general affairs and the vice general manager of Parent from December 1998 to March 2002 and from October 1995 to December 1998, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM. Apart from serving as the chairman and the secretary of the Party Committee of BNBMG since January 1996 and June 1996, respectively, Mr. Song served several positions in BNBMG (both prior to and after its conversion) from 1987 to 2002, including deputy director and director of the factory, and general manager. Mr. Song received a master's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in June 2002. Mr. Song is qualified as a senior engineer and is currently a member of National MBA Education Supervisory Committee (NMESC)(全國工商管理碩士教育指導委員會). He is also the vice president of China Building Materials Industry Association(中國建築材料聯合會), the vice president of the Third Session of China Logistics Alliance Network(第三屆中國物流與採購聯合會)and the vice chairman and officer of the China Capital Entrepreneurs' Club(首都企業家俱樂部). Mr. Song received a number of awards for his management and entrepreneurial skills from 1993 to 2003, including 500 Chinese Enterprise's Pioneers(中國500名企業創業者), National Outstanding Young Entrepreneur(全國優秀青年企業家), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards(第八屆全國優秀企業家金球獎), Management Elite Award(管理人物精英獎)and Chinese Entrepreneur for the year of 2003(2003年度中國創業企業家). In 2007, Mr. Song was elected as one of the Top Ten Merger and Acquisition Businessmen in PRC(中國十大併購人物)and was awarded the Yuan Baohua Enterprise Management Gold Award(袁寶華企業管理金獎)and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章) in March 2008.

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Cao Jianglin, aged 43, is an executive Director of the Company. Mr. Cao joined the Group since April 1992 and has over 18 years of business and management experience in the building materials industry. Mr. Cao has been the chairman of the board of directors of BND Co., Limited（北新物流有限公司）(currently knowns as CNBM Investment) and BNS Company Limited（北新科技發展有限公司）since March 2002, the chairman of China Fiberglass since June 2002, the directors of China Composites and China Triumph since September 2004, the chairman of the supervisory committee of China United since April 2005, the director of Parent since October 2005, the chairman of South Cement since September 2007, the chairman of North Cement since March 2009 and the chairman of supervisory committee of BNBM since September 2009. From October 2004 to August 2009, Mr. Cao was the chairman of BNBM. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including president of BND Co., Limited from December 2000 to April 2004, general manager of China Fiberglass from June 2002 to March 2005, assistant to the general manager and vice general manager of Parent from April 2002 to October 2005, assistant to the general manager, vice general manager and general manager of BNBMG from April 1998 to March 2005, and general manager of China National Building Material & Equipment Import and Export Zhujiang Corporation（中國建築材料及設備進出口珠江公司）from April 1998 to March 2002. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao was elected as the vice president of China Building Materials Industry Association（中國建築材料聯合會）, vice president of China Youth Entrepreneurs Association（中國青年企業家協會）and chairman of the Listed Companies Association of Beijing（北京上市公司協會）. He is a senior accountant.

Li Yimin, aged 56, is an executive Director of the Company. Mr. Li joined the Group since May 1997 and has over 20 years of business and management experience in China's building materials industry. Mr. Li has served as the director of China United since April 2005 and the director of CNBM Investment since August 2008, the chief engineer of Parent from December 2003 to March 2005, the chairman of BNBM from April 2002 to February 2004, and the general manager of BNBM from May 1997 to April 2002. From January 1996 to December 2003, Mr. Li served successively as the vice general manager, vice chairman and general manager of BNBMG. He also served as the deputy head of BNBMG (prior to its conversion from Beijing New Building Materials Factory) from September 1985 to January 1996. Mr. Li graduated from electro-mechanical engineering from Shanghai Tongji University in August 1978 and received a master's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in 1995. He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council.

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Peng Shou, aged 49, is an executive Director of the Company. Mr. Peng joined the Group in June 2001 and has over 20 years of business and management experience in China's building materials industry. He is an expert in inorganic materials research and development, engineering design and consulting. Mr. Peng has served as the chairman of China Triumph since September 2004 and the general manager of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Building Material Industrial Institute (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Industrial University (now Wuhan University of Technology) in January 2002. He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council and National May Day Labor Medal. He is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程).Since July 2003, Mr. Peng is a director of general affairs and the deputy chairman of the fourth general committee of the China Building and Industrial Glass Committee.

Cui Xingtai, aged 48, is an executive Director of the Company. Mr. Cui joined the Group since June 1999 and has over 24 years of business and management experience in China's building materials industry. He has served as the secretary of the Party Committee of China United since August 2004, the chairman of China United since April 2005 and the director of South Cement since September 2007. Mr. Cui served as the vice chairman of China United from August 2004 to April 2005, deputy chief engineer of Parent from November 2003 to March 2005, chief engineer of China United from July 1999 to August 2004, and deputy general manager of China United from April 2002 to August 2004. From June 1997 to January 1999, Mr. Cui served as the head of Shandong Lunan Cement Factory. Mr. Cui received a bachelor's degree in engineering from Wuhan Industry University (now Wuhan University of Technology) in July 1984 and graduated in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he was granted the master's degree in business administration for senior management by Tsinghua University on 17 January 2008. He is qualified as a senior engineer. Mr. Cui has been the vice president of China Cement Association since December 2007.

DIRECTORS *(CONTINUED)*

Non-Executive Directors

Cui Lijun, aged 49, is a non-executive Director of the Company. Ms. Cui joined the Group since September 1998 and has over 20 years of business and management experience in China's building materials industry. Ms. Cui has served as a director of BNBM since June 2003. Since August 1997, she has served successively as the financial manager of BNBMG and financial manager of BNBM. She is currently the general manager and deputy chairwoman of BNBMG. Ms. Cui graduated in the investment management from the Graduate School of Chinese Academy of Social Sciences in November 1998.

Huang Anzhong, aged 46, is a non-executive Director of the Company. Mr. Huang joined the Group since March 2003 and has over 20 years of business and management experience in China's building materials industry. Mr. Huang served as the vice president of China National Building Material and Equipment Import and Export Company（中國建築材料及設備進出口公司）from April 1996 to November 2000, and the president of China National Building Material and Equipment Import and Export Company (currently knowns as CNBM Trading) since November 2000. He was appointed as vice president of Parent on 24 December 2009. Mr. Huang graduated with a bachelor's degree in engineering from Nanjing Institute of Chemical Technology in July 1985 and graduated in the business management from the Graduate School of Chinese Academy of Social Sciences in November 1998. He received an EMBA degree from Xiamen University in June 2005. He is currently a senior economist.

Zuo Fenggao, aged 54, is a non-executive Director. Mr. Zuo joined the Group in March 2005 and has over 20 years' experience in business and management. Mr. Zuo has served as the president of Cinda Property Insurance Company Limited (信達財產保險股份有限公司) since January 2010 and the head of Cinda, Beijing representative office from May 2004 to October 2009. Mr. Zuo also served as the deputy head of Cinda, Beijing representative office from September 1999 to May 2004, the head of the Beijing Xisi sub-branch of China Construction Bank from January 1997 to September 1999, the deputy director and general manager of the mortgage department in China Construction Bank, Beijing branch and the deputy head of the Beijing Qianmen Sub-branch of China Construction Bank from June 1989 to January 1997. Mr. Zuo graduated in monetary and banking from the Faculty of Finance and Economics of the Graduate School of Chinese Academy of Social Sciences in July 1998. He is currently an economist.

Independent Non-executive Directors

Zhang Renwei, aged 69, is an independent non-executive Director of the Company. Mr. Zhang joined the Group since March 2005 and has over 40 years of business and management experience in China's building materials industry. Mr. Zhang has served as an independent non-executive director of Shanghai Yaopi from June 2003 to June 2009, the president of China Building Materials Federation (formerly known as China Construction Material Industry Committee) since February 2001 and the chairman of China Silicate Academy since January 2000. He also served as the director and secretary-general of State Bureau of Building Materials Industry from January 1994 to February 2001 and the deputy director of the same bureau from July 1985 to January 1994. Mr. Zhang graduated from East China Institute of Chemical Technology (now known as East China University of Technology) in 1963, majoring in silicate studies. He is qualified as a senior engineer at professor level.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Zhou Daojiong, aged 76, is an independent non-executive Director of the Company. From June 2003 to May 2009, Mr. Zhou served as an independent non-executive director of Harbin Power Equipment Company Limited (哈爾濱動力設備股份有限公司), a company listed on the Stock Exchange and accumulated experience in the review and establishment of internal controls, risk management measures and corporate governance of publicly listed companies. Mr. Zhou joined the Group since May 2005 and has over 50 years' experience in macro-economic management and finance. From March 1998 to March 2003, Mr. Zhou served as a member of the standing committee and the finance and economic committee of the 9th NPC. He also served as the audit commissioner of the State Council from March 1998 to August 2000. His primary responsibilities in the NPC and the State Council include monitoring corporate accounting and budgets, examining and supervising financial budgets of the PRC, participated in enacting PRC legislation on securities and futures development and supervising the implementation of such legislation. From March 1995 to June 1997, Mr. Zhou served as the chairman of CSRC. His primary responsibilities in CSRC include regulating the securities market of the PRC, participated in drafting securities law, reviewing financial statements of listing applicants and listed companies to ensure compliance with the relevant securities law and corporate governance requirements, and monitoring the trading activities of listed companies. From December 1984 to August 2000, Mr. Zhou served a number of key positions in China Construction Bank, including the secretary-general, the president and the chairman of the supervisory committee of China Construction Bank. He also served as the vice president of National Development Bank and the deputy director of the securities committee of the State Council. Before December 1984, Mr. Zhou served as the department head of the finance department, and the secretary general of Anhui provincial government. Mr. Zhou is currently the chairman of China Society of Urban Economy (中國城市經濟學會會長), the chairman of PECC China Finance Committee (中國金融委員會), chairman of Taoxing Zhi Fund of China (中國陶行知基金會) and China Investment Development and Promotion Association (中國投資發展促進會), the honorary chairman of China Investment Association (中國投資學會), and the consultant of the China Capital Entrepreneurs' Club (首都企業家俱樂部). Mr. Zhou is also qualified as a senior economist. Mr. Zhou is experienced in financial management, risk management measures and corporate governance of publicly listed companies.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Chi Haibin, aged 78, is an independent non-executive Director of the Company. Mr. Chi joined the Group since May 2005 and has an in-depth knowledge of the PRC accounting standards. Mr. Chi has been the chairman of China Accounting Association (中國會計學會) since 1996 and served as the vice chairman of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) from June 1996 to November 2004. The primary responsibilities of Mr. Chi, as the chairman of China Accounting Association and the vice chairman of the Chinese Institute of Certified Public Accountants, include providing proposals to the relevant supervision authorities on the accounting and finance rules and regulations in the PRC, studying and researching on the internal accounting standards, formulating rules and code of practice for PRC certified public accountants, and monitoring the implementation of such rules and code of practice in the PRC. Mr. Chi is qualified as a senior economist and has about 50 years' experience in macro-economic management. Mr. Chi joined the Ministry of Finance in 1954, and served in a number of significant positions therein from December 1954 to April 1993, including the deputy supervisor and deputy director of the economic construction division and the deputy head of the Ministry of Finance. From April 1993 to March 2003, Mr. Chi was also appointed as a member of the Standing Committee and the deputy supervisor of the finance and economic committee of the 8th NPC and a member of the standing committee and the finance and economic committee of the 9th NPC. His primary responsibilities in the Ministry of Finance and the NPC include monitoring corporate accounting and budgets, examining and supervising financial budgets of the PRC, participated in enacting PRC legislation on economics and supervising the implementation of such legislation. Mr. Chi has served as an independent non-executive director of Fengfan Co., Ltd. (風帆股份有限公司), a company listed on the Shanghai Stock Exchange, since April 2004 and has accumulated experience in the review and establishment of internal controls, risk management measures and corporate governance of publicly listed companies.

Li Decheng, aged 64, is an independent non-executive Director of the Company. He holds a Bachelor's degree. Mr. Li has accumulated over 30 years of experience in the field of economic management. From 1978 to 1983, he was the staff member and deputy head for the Economic Committee of Jilin Province. He was the deputy chief and member of the Party Committee for Economic Committee of Jilin Province from September 1983 to January 1985, and served as the chief and secretary to the Party Committee for Economic Planning Committee of Jilin Province from January 1985 to June 1987. He also assumed positions including deputy chief (equivalent to head of department), chief and secretary to the Party Committee for Economic System Reform Committee of Jilin Province from February 1988 to March 1992. He was a member of the Standing Committee, secretary to industry committee and general manager of Municipal Investment Management Company in Shenzhen from September 1993 to October 1994. From May 1995 to May 2000, he was a member of the Standing Committee and standing deputy city mayor of Shenzhen. He was the deputy secretary of the Standing Committee and standing deputy city mayor of Shenzhen from May 2000 to March 2002. He was a member of the Standing Committee, standing deputy city mayor, chairman as well as the secretary of Party Committee of the 3rd Shenzhen Committee of Chinese People's Political Consultative Conference ("CPPCC") from March 2002 to March 2004. From March 2004 to April 2008, he served as the chairman and the secretary to the Party Committee of the 4th Shenzhen Committee of CPPCC. He currently serves as the executive vice chairman and director of the China Enterprise Confederation and the member of 10th and 11th National Committee of CPPCC. He is a qualified engineer.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Lau Ko Yuen, Tom, aged 58, is an independent non-executive Director of the Company. Mr. Lau joined the Group in January 2006. He has over 36 years of experience in international investment, corporate development and management in infrastructure developments as well as construction and engineering services involving roads, railways, ports, power plants, telecommunications, mining and resources sectors in Asia-Pacific region. Mr. Lau currently is the deputy chairman, president and executive director of PYI Corporation Limited, deputy chairman and non-executive director of Paul Y. Engineering Group Limited as well as the chairman and executive director of Prosperity Investment Holdings Limited.

SUPERVISORS

Shen Anqin, aged 60, is the Chairman of the Supervisory Committee of Company. Mr. Shen has accumulated over 18 years' experience in supervisory roles and management position since he joined the Group in July 1999. Mr. Shen has been the vice general manager of Parent since August 1998 and the chief accountant of Parent since September 2003. From September 1990 to August 1998, Mr. Shen served successively as the deputy head of the Comprehensive Development and Economic and Finance Division, the head of Economic and Finance Division, and the deputy director of the Finance and State-owned Assets Supervision Division, of the State Bureau of Building Materials Industry. Mr. Shen received a bachelor's degree in engineering from Xi Bei Electric Engineering School (now Xi Dian University) in April 1982. He is qualified as a senior accountant.

Zhou Guoping, aged 50, is a Supervisor of the Company. Ms. Zhou joined the Group since July 1999 and has over 16 years' experience in supervisory roles and management positions. Ms. Zhou has been the assistant to the general manager of Parent since October 2003 and the financial manager of Parent since April 2002. From March 1992 to April 2002, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Building Materials Technology Institute (now Wuhan University of Technology) in July 1982 and a master's degree in Senior Management in Business Administration from Xiamen University in 22 December 2006. She is qualified as a senior engineer.

Cui Shuhong, aged 42, is a Supervisor of the Company. Ms. Cui joined the Group since October 2001 and has over 15 years' experience in supervisory roles and management positions. Ms. Cui has been the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990. She is qualified as a senior economist.

SUPERVISORS *(CONTINUED)*

Liu Zhiping, aged 47, is a Supervisor of the Company. Mr. Liu had nearly 20 years of experience in economic management and investment. Mr. Liu was the deputy head of Policy & Law department of National Foreign Currency Bureau from August 1988 to November 1993, and deputy head of Foreign Currency Management Office (外匯管理處) of National Foreign Currency Bureau (Hainan Branch) from November 1993 to November 1994. From November 1994 to May 2002, Mr. Liu also served as the General Manager of Foreign Currency Department (外匯業務部) in China Education Technology Trust Investment Company. From May 2002 to December 2003, Mr. Liu was Assistant to the General Manager of Zhongxin Group Financial Company. He was the General Manager of Strategic Development Department of Financial Company of HNA Group Co., Ltd. from January 2004 to July 2004, and deputy head of General Manager's office of Parent from August 2004 and March 2005. Mr. Liu graduated from Jilin Financial College in July 1985 with a Bachelor's degree in economics, and was granted a Master's Degree in Banking and Currency in July 1988. He obtained a Doctor's Degree of Management from Huazhong Technical University in October 2000. Mr. Liu has joined the Group in March 2005 and served as the General Manager of the Company's Investment Development Department since March 2005. Mr. Liu is a senior economist and was titled an outstanding staff of National Foreign Currency Bureau in 1992.

Ma Zhongzhi, aged 65, is a Supervisor of the Company. Mr. Ma has more than 20 years of experience in administration and management covering banking and securities regulation. He served as a deputy branch manager of the People's Bank of China Shenyang Branch between June 1984 and November 1997, and deputy head of the headquarters of the People's Bank of China between November 1991 and September 1992. From September 1992 to November 1998, he served as deputy head and head of the office of China Securities Regulatory Commission ("CSRC"). From June 1994 to November 1998, he took the position of member of the standing committee and secretary general of CSRC. He also served as audit commissioner of the State Council from November 1998 to June 2000, and Chairman of the Supervisory Committee for key State-owned enterprises of the State Council from June 2000 to April 2007. Since 18 March 2008, Mr. Ma has been an independent director of Standard Chartered Bank (China) Limited. Mr. Ma is a senior economist, and has been honoured as a national expert who has made outstanding contributions, by the People's Bank of China. Since January 1993, he has also worked as part-time professor and postgraduate tutor. He is a senior economist. He wrote a book entitled Study and Thought on the Japanese Securities Market, edited books like A Must-read for Financing in the U.S. Securities Market and Issuance of Bonds with Warrants and Market Practices, and authored a book entitled Basic Knowledge of Securities Market.

Liu Chijin, aged 47, is an independent Supervisor of the Company. Mr. Liu joined the Group since May 2005 and has over 20 years' experience in supervisory roles and management positions. He has been the chairman and the president of Pan-Pacific Management Research Center (泛太管理研究中心) since 2002 and the general manager and chairman of Beijing Pan-Pacific Management Training Company Limited (北京泛太管理培訓有限公司) since 2004. Mr. Liu also served as the vice president of Nokia (China) Investment Company Limited from 1999 to 2001, senior vice president of Ericsson (China) Limited and head of Ericsson China Institute from 1997 to 1999, senior consultant of McKinsey & Company in 1996 and vice president of Dover Corporation in the United States from 1993 to 1995. From 1985 to 1988, Mr. Liu served as an assistant professor of the Shandong Building Material Institute. He is currently the deputy director of the China Capital Entrepreneurs' Club, the chairman of Beijing Alumni Association of Harvard Business School, joint director of the EMBA project of the Management School of Xiamen University. Mr. Liu received a master's degree in physics from the University of Memphis in 1990, and an MBA degree from Harvard Business School in 1997.

SENIOR MANAGEMENT

Cao Jianglin, aged 43, is the president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Li Yimin, aged 56, is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Peng Shou, aged 49, is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Cui Xingtai, aged 48, is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Zhang Dingjin, aged 52, is a vice president of the Company. Mr. Zhang joined the Group since August 1999 and has over 20 years of business and management experience in China's building materials industry. He has served as the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor's degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council.

Chang Zhangli, aged 39, is a vice president of the Company. Mr. Chang joined the Group in August 1997 and has over 10 years' experience in handling domestic listing-related matters for the Group, the Company's Global Offering and listing of its shares on the Stock Exchange. Mr. Chang served as the director of CNBM Investment since December 2000, the director of China Fiberglass since July 2005, the director of South Cement since September 2007, the director of BNBM since July 2008 and the director of North Cement since March 2009. From August 1997 to March 2005, Mr. Chang served in a number of key positions in BNBM, including the deputy manager and manager of the securities division of BNBM, the manager of the management and corporate planning division of BNBM, the secretary to the board of directors and the deputy general manager of BNBM. During this period, in addition to performing his general corporate duties for BNBM, Mr. Chang was responsible for handling all legal matters related to BNBM and was actively involved in the reorganization and acquisitions of BNBM and its various subsidiaries. Mr. Chang graduated with a bachelor's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in July 1994, and received an MBA degree from Tsinghua University in June 2005. Currently, Mr. Chang is the company secretary and general manager of the legal division of the Company and he is also a member of Central Enterprises Youth Federation, the deputy secretary of the Listed Companies Association of Beijing.

SENIOR MANAGEMENT *(CONTINUED)*

Chen Xuean, aged 45, is the chief financial officer of the Company. Mr. Chen joined the Group since March 2005 and has over 20 years' experience in finance. Mr. Chen served as the supervisor of China Fiberglass since July 2005, the director of China United since October 2006, the director of South Cement since September 2007 and the director of CNBM Investment since August 2008. Mr. Chen served as the head of the Central Department of Statistics and Evaluation Division of the Ministry of Finance from June 2000 to January 2004. He also served as the head of the Monitoring Department of Statistics and Evaluation Division of the Ministry of Finance, the deputy chief of Assets Inspection and Verification Department of Statistics and Evaluation Division of the Ministry of Finance, and the deputy head of finance department of general office of SASAC from August 1995. Mr. Chen received a master's degree in management from Beijing Institute of Technology in November 1999. He is currently a senior accountant.

Yao Jixin, aged 54, is a vice president of the Company. Mr. Yao has over 25 years of operation and management experience in cement industry. Mr. Yao served as party committee member and deputy plant manager of Jiangshan Cement Plant(江山水泥廠)from November 1984 to July 1990, executive deputy plant manager of Zhejiang Cement Plant from July 1990 to August 1994, party committee member, vice chairman and general manager of Zhejiang Sanshi Cement Company Limited(浙江三獅水泥股份有限公司)from August 1994 to September 1997. He has been serving as the chairman of Zhejiang Sanshi Cement Company Limited since September 1997 and the chairman of Sanshi Group since March 1998. Mr. Yao served as the general manager of Sanshi Group from March 1999 to August 2009, and the party committee secretary of Sanshi Group since March 1999. Mr. Yao served as the president of South Cement from September 2008 to June 2009, and has been serving as the vice chairman of South Cement since June 2009. Currently, Mr. Yao is the vice president of China Building Material Federation and vice president of China Cement Association. Mr. Yao has won many awards, including National Outstanding Young Entrepreneur, Outstanding Business Management Worker in National Building Material Industry, National May Day Labor Medalist, National Excellent Entrepreneur, Top Ten Outstanding Figures in China Cement Industry during the 15th Five-Year Plan Period as well as the First Award of National Enterprise Management Modernization Innovation Achievement. Mr. Yao graduated from Macau University of Science and Technology with an MBA degree in Business Management in October 2005. Currently, Mr. Yao is a Ph.D candidate for Management major in Macau University of Science and Technology. Mr. Yao is a senior economist.

SENIOR MANAGEMENT *(CONTINUED)*

Xiao Jiaxiang, aged 47, is a vice president of the Company. Mr. Xiao joined the Group since February 2009 and has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. From July 1982 to July 1991, Mr. Xiao served as assistant engineer, engineer, deputy head and head of the mine workshop of Guizhou Shuicheng Cement Plant. From July 1991 to November 2001, he served as director, assistant to general manager, vice general manager and standing party committee member in Huaxin Cement (Group) Co., Ltd. From November 2001 to March 2004, he served as Deputy Party Secretary and mayor of Daye City, Hubei Province. From March 2004 to December 2005, he served as Party Secretary of Daye City, Hubei Province and Director of People's Congress of Daye City. From February 2006 to February 2008, he served as President of Tianrui Corporation, and concurrent Chairman and General Manager of Tianrui Group Cement Co., Ltd. He has served as the director of South Cement since February 2009 and the president of South Cement since June 2009. Mr. Xiao graduated from Wuhan Industrial University (now Wuhan University of Technology) with a bachelor's degree in non-metallic mining major in July 1982, received an MBA degree from Wuhan University of Technology in 1997 and a Ph. D degree in management from Huazhong University of Science & Technology in 2004. He is a professor level senior engineer. Mr. Xiao has been the vice chairman of China Cement Association since April 2007. He was honoured as a national outstanding scientific worker and the national advanced individual in quality management, and was granted awards such as including National Frontier Excellence Awards.

Wang Bing, aged 38, is a vice president of the Company. Mr. Wang has been with the Group since July 1998 and has accumulated over 15 years of business and management experience in building materials industry. Mr. Wang served as the regional manager of BNBMG from July 1994 to July 1998 and general manager of Chengdu Southwest Beijing New Building Material Company Limited(成都西南北新建材有限公司)from July 1998 to September 2002, assistant to general manager and deputy general manager of China Chemical Building Material Company Limited(中國化學建材股份有限公司，currently known as China Fiberglass) from October 2002 to February 2004. From February 2004 to August 2009, Mr. Wang served as general manager of BNBM. He has been the chairmen of BNBM since August 2009 and vice president of the Company since June 2009. Mr. Wang graduated from Automation Department of Wuhan Industry University (now Wuhan University of Technology) in July 1994 and graduated from China Europe International Business School in September 2005. Mr. Wang is currently studying for a doctorate degree in Wuhan University of Technology. Mr. Wang is a vice chairman and deputy director of the China Capital Entrepreneurs' Club(企業家俱樂部副理事長兼副主任), the director of New Building Material Expert Committee under China Building Materials Industry Economic Research Association(中國建材工業經濟研究會新型建材專家委員會主任),an executive director of China Building Materials Federation, a vice chairman of China Heat-proof & Energy-saving Materials Association(中國絕熱節能材料協會副會長), a vice chairman of China Building Materials Circulation Association(中國建材流通協會副會長), a vice chairman of China Decoration Material Association(中國裝飾裝修材料協會) and a vice chairman of Beijing Building Materials Industry Association(北京建材行業協會副會長). Mr. Wang was granted various awards, including the Fourth Session of National Building Material Industry Outstanding Entrepreneur(第四屆全國建材行業優秀企業家) and the National Construction and Decoration Industry Outstanding Entrepreneur(全國建築裝飾行業優秀企業家).

SENIOR MANAGEMENT *(CONTINUED)*

Cai Guobin, aged 43, is a vice president of the Company. Mr. Cai has been with the Group since 1998 and has over 12 years experience in building material industry. Mr. Cai served as deputy manager of Planning and Financial Department of CNBM Trading Zhujiang branch from June 1998 to November 1999, assistant to general manager of CNBM Trading Zhujiang branch from November 1999 to January 2001, director and vice chairman of BND from January 2001 to April 2004. He has been a director and the president of CNBM Investment since April 2004. From 2002 to 2006, he served as the supervisor of China Fiberglass, and the director and vice general manager of China Fiberglass from 2006 to October 2009. He has been vice chairman of China Fiberglass since October 2009. Mr. Cai has served as a director of South Cement since September 2007 and the vice president of the Company since August 2009. Mr Cai was honoured as Outstanding Party Member of Shenzhen for Year 2006, Outstanding Entrepreneur of Building Materials Industry for Year 2006（建材行業優秀企業家）and listed in Elites' Register of Building Materials Industry in 2008（建材行業精英錄）. Mr. Cai graduated from Shanghai University of Finance and Economics (majoring in accounting education) with a bachelor's degree in economics in July 1990. He is a certified accountant.

QUALIFIED ACCOUNTANT

Pei Hongyan, aged 36, is the qualified accountant of the Company. She joined the Group in May 2001 and has over 8 years' experience in accounting. She served as a senior accountant of the finance division of Parent from November 2003 to April 2005 and an assistant to the general manager of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a master's degree in management from Dongbei University of Finance and Economics in 1999, and is a fellow member of the Association of Chartered Certified Accountants. She is also a non-practising member of the Chinese Institute of Certified Public Accountants. Ms. Pei works on a full time basis for the Company.

JOINT COMPANY SECRETARIES

Chang Zhangli, aged 39, is the joint company secretary of the Company. Please refer to the section headed "Senior Management" for the biographical details.

Lo Yee Har Susan, aged 51, is the joint company secretary of the Company. Ms. Lo is a director of Corporate Services Department of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Lo has over 20 years of experience in the company secretarial area. She has served in a number of companies listed on the Stock Exchange. Apart from the Company, she is currently the company secretary or the joint company secretary of six companies listed on the Stock Exchange.

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation letter issued by each of the independent non-executive directors in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive directors are independent.

TO THE SHAREHOLDERS OF
CHINA NATIONAL BUILDING MATERIAL COMPANY LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 92 to 204 which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 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.

UHY VOCATION HK CPA Limited
Certified Public Accountants

DAVID TZE KIN NG, AUDITOR
Practising Certificate Number P553

Hong Kong, 16 April 2010

Consolidated Income Statement

For The Year Ended 31 December 2009

	Note	**2009** *RMB'000*	2008 *RMB'000*
Revenue	5	**33,297,363**	26,365,159
Cost of sales		**(26,798,003)**	(21,851,738)
Gross profit		**6,499,360**	4,513,421
Selling and distribution costs		**(1,267,429)**	(884,012)
Administrative expenses		**(1,871,691)**	(1,348,674)
Investment and other income	7	**2,036,833**	1,186,583
Other expenses		**(148,072)**	(88,172)
Finance costs — net	8	**(1,516,443)**	(1,368,044)
Share of profit of associates		**9,394**	155,327
Profit before income tax	10	**3,741,952**	2,166,429
Income tax expense	11	**(664,059)**	(293,073)
Profit for the year		**3,077,893**	1,873,356
Profit attributable to:			
Equity holders of the Company		**2,352,396**	1,511,542
Minority interests		**725,497**	361,814
		3,077,893	1,873,356
Earnings per share — basic and diluted *(RMB)*	13	**0.96**	0.68
Dividends			
— paid	12	**111,655**	72,880
— proposed	12	**173,685**	111,655

The notes are an integral part of these consolidated financial statements.

For The Year Ended 31 December 2009

	Note	**2009** **RMB'000**	2008 RMB'000
Profit for the year		**3,077,893**	1,873,356
Other comprehensive loss:			
— Currency translation differences		**(150)**	(3,125)
Total comprehensive income for the year		**3,077,743**	1,870,231
Total comprehensive income attributable to:			
Equity holders of the Company		**2,352,246**	1,508,417
Minority interests		**725,497**	361,814
Total comprehensive income for the year		**3,077,743**	1,870,231

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	14	**36,589,612**	26,900,840
Prepaid lease payments	15	**4,706,127**	3,404,818
Investment properties	16	**282,815**	331,892
Goodwill	17	**7,044,298**	4,986,745
Intangible assets	18	**983,407**	740,072
Investments in associates	20	**2,879,108**	2,815,968
Available-for-sale financial assets	21	**139,414**	102,419
Deposits	22	**3,075,778**	969,668
Deferred income tax assets	30	**454,802**	185,234
		56,155,361	40,437,656
Current assets			
Inventories	23	**4,741,566**	3,331,223
Trade and other receivables	24	**10,009,431**	8,643,830
Held-for-trading investments	21	**313,968**	263,263
Amounts due from related parties	25	**973,390**	745,303
Pledged bank deposits	27	**971,688**	1,756,663
Cash and cash equivalents	27	**3,843,633**	3,726,253
		20,853,676	18,466,535
Current liabilities			
Trade and other payables	28	**14,419,297**	18,023,388
Amounts due to related parties	25	**1,112,354**	2,364,178
Borrowings	29	**21,942,921**	17,472,843
Obligations under finance leases	31	**257,055**	45,126
Current income tax liabilities		**582,324**	298,607
Financial guarantee contracts due within one year	32	**1,640**	6,690
Dividend payable to minority shareholders		**4,379**	7,089
		38,319,970	38,217,921
Net current liabilities		**(17,466,294)**	(19,751,386)
Total assets less current liabilities		**38,689,067**	20,686,270

	Note	**2009** *RMB'000*	2008 *RMB'000*
Non-current liabilities			
Borrowings	29	**19,073,005**	7,774,960
Deferred income		**145,531**	94,263
Obligations under finance leases	31	**1,003,656**	32,783
Financial guarantee contracts due after one year	32	**13,140**	15,030
Deferred income tax liabilities	30	**938,307**	636,010
		21,173,639	8,553,046
Net assets		**17,515,428**	12,133,224
Capital and reserves			
Share capital	33	**2,481,215**	2,208,488
Reserves		**10,413,552**	6,621,862
Capital and reserves attributable to equity holders of the Company		**12,894,767**	8,830,350
Minority interests		**4,620,661**	3,302,874
Total equity		**17,515,428**	12,133,224

The consolidated financial statements on pages 92 to 100 were approved by the Board of Directors on 16 April 2010 and were signed on its behalf.

Song Zhiping
Director

Cao Jianglin
Director

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2009

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 34)*	Exchange reserve	Retained earnings	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	2,208,488	3,267,410	507,518	159,423	1,263	1,241,473	7,385,575	2,367,403	9,752,978
Total comprehensive income for the year	—	—	—	—	(3,125)	1,511,542	1,508,417	361,814	1,870,231
Issue share expense	—	(1,466)	—	—	—	—	(1,466)	—	(1,466)
Dividends *(Note 12)*	—	—	—	—	—	(72,880)	(72,880)	—	(72,880)
Dividends paid to the minority shareholders by subsidiaries	—	—	—	—	—	—	—	(37,570)	(37,570)
Increase in minority interests as a result of acquisition of subsidiaries *(Note 35)*	—	—	—	—	—	—	—	437,619	437,619
Contributions from minority shareholders	—	—	—	—	—	—	—	342,501	342,501
Decrease in minority interests as a result of increase in interests in subsidiaries	—	—	—	—	—	—	—	(104,573)	(104,573)
Forfeiture interests from minority shareholders of a subsidiary	—	—	9,905	—	—	—	9,905	(1,823)	8,082
Share reserves of associates	—	—	799	—	—	—	799	—	799
Disposal of subsidiaries	—	—	—	—	—	—	—	(62,497)	(62,497)
Movements in statutory reserves	—	—	—	120,099	—	(120,099)	—	—	—
Balance at 31 December 2008	2,208,488	3,265,944	518,222	279,522	(1,862)	2,560,036	8,830,350	3,302,874	12,133,224

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Capital reserves**	**Statutory surplus reserve fund** *(Note 34)*	**Exchange reserve**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	2,208,488	3,265,944	518,222	279,522	(1,862)	2,560,036	8,830,350	3,302,874	12,133,224
Total apprehensive income for the year	—	—	—	—	(150)	2,352,396	2,352,246	725,497	3,077,743
Issue of share	272,727	1,551,099	—	—	—	—	1,823,826	—	1,823,826
Dividends *(Note 12)*	—	—	—	—	—	(111,655)	(111,655)	—	(111,655)
Dividends paid to the minority shareholders by subsidiaries	—	—	—	—	—	—	—	(147,467)	(147,467)
Increase in minority interests as a result of acquisition of subsidiaries *(Note 35)*	—	—	—	—	—	—	—	71,883	71,883
Contributions from minority shareholders	—	—	—	—	—	—	—	1,010,544	1,010,544
Decrease in minority interest as a result of increase in interests in subsidiaries	—	—	—	—	—	—	—	(342,670)	(342,670)
Movements in statutory reserve	—	—	(283)	100,356	—	(100,073)	—	—	—
Balance at 31 December 2009	2,481,215	4,817,043	517,939	379,878	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2009

	2009 *RMB'000*	2008 *RMB'000*
Cash flows from operating activities		
Profit before income tax	**3,741,952**	2,166,429
Adjustments for:		
Share of profit of associates	**(9,394)**	(155,327)
Finance costs	**1,806,213**	1,614,796
Interest income	**(289,770)**	(246,752)
Dividend from available-for-sale financial assets	**—**	(2,952)
Impairment loss on property, plant and equipment	**6,087**	—
Impairment loss on prepaid lease payments	**9,210**	—
Gain/(loss) on disposal of property, plant and equipment and investment properties	**(4,807)**	4,853
(Increase)/decrease in fair value of held-for-trading investments	**(154,400)**	40,635
Deferred income released to the income statement	**(41,758)**	(2,987)
Depreciation of property, plant and equipment and investment properties	**1,397,952**	1,222,615
Amortisation of intangible assets	**60,133**	35,611
Financial guarantee income	**(6,940)**	(31,805)
Prepaid lease payments released to the income statement	**95,152**	78,041
Waiver of payables	**(258,285)**	(7,889)
(Reversals of provision)/allowance for bad and doubtful debts	**32,941**	14,174
Recovery of bad debts previously written off	**(80,054)**	(10,839)
(Reversals of provision)/write-down of inventories	**(569)**	4,597
Staff costs arising from share appreciation rights	**2,877**	2,877
Impairment loss in available-for-sales financial assets	**—**	7,472
Discount on acquisition of interests/additional interests in subsidiaries	**(188,264)**	(104,415)
Net foreign exchange losses	**87,586**	19,704
Gain on disposal of subsidiaries	**(28,105)**	(2,484)
Operating cash flows before working capital changes	**6,177,757**	4,646,354
Increase in inventories	**(739,784)**	(865,867)
Increase in trade and other receivables	**(17,565)**	(488,910)
Increase in held-for-trading investments	**(50,705)**	(53,611)
Decrease/(increase) in amounts due from related parties	**776,665**	(107,765)
(Decrease)/increase in trade and other payables	**(1,324,104)**	917,403
(Decrease)/increase in amounts due to related parties	**(503,295)**	492,267
Increase in deferred income	**93,027**	70,236
Cash generated from operations	**4,411,996**	4,610,107
Income tax paid	**(491,876)**	(259,256)
Interest received	**289,770**	246,752
Net cash generated from operating activities	**4,209,890**	4,597,603

	2009 RMB'000	2008 RMB'000
Investing activities		
Purchase of property, plant and equipment	**(5,892,457)**	(3,898,773)
Purchase of investment properties	**(820)**	(10,081)
Purchase of intangible assets	**(104,169)**	(157,148)
Proceeds on disposal of property, plant and equipment and investment properties	**21,227**	17,236
Acquisition of interests in associates	**(211,374)**	(759,581)
Dividend received from associates	**17,129**	1,194
Disposal of subsidiaries	**(16,249)**	15,663
Purchases of available-for-sale financial assets	**(4,165)**	(94,496)
Dividend received from available-for-sale financial assets	**261**	6,876
Deposits paid	**(3,075,778)**	(969,668)
Deposits refund	**969,668**	1,037,660
Payments for prepaid lease payments	**(630,883)**	(470,528)
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	**(1,118,390)**	(3,844,891)
Payments for acquisition of additional interests in subsidiaries	**(70,276)**	(113,934)
Advances to related parties	**(12,852)**	(243,318)
Decrease in other payment for investing activities	**(5,558,042)**	—
Proceeds from repayment of loans receivable	**809,913**	342,668
Proceeds from disposal of held-for-trading investments	**103,252**	—
New loans raised	**(420,310)**	(809,913)
Increase in pledged bank deposits	**1,312,459**	(703,439)
Net cash used in investing activities	**(13,881,856)**	(10,654,473)

	2009 *RMB'000*	2008 *RMB'000*
Financing activities		
Interest paid	**(2,070,382)**	(1,701,108)
Issuance of shares	**1,837,418**	—
Issuance of share expenses	**(13,592)**	—
Dividend paid to shareholders	**(111,655)**	(72,880)
Dividend paid to minority shareholders of subsidiaries	**(118,124)**	(19,251)
Contributions from minority shareholders	**534,274**	204,200
Repayment of borrowings	**(33,817,587)**	(25,976,382)
Decrease in payment for financing activities	**(2,974,869)**	—
New borrowings raised	**47,056,776**	34,019,776
Repayment of advances from immediate holding company	**(1,070,000)**	1,650,000
Repayments to related parties	**(601,691)**	(1,468,720)
New obligations under finance leases	**1,138,927**	—
Net cash generated from financing activities	**9,789,495**	6,635,635
Net increase in cash and cash equivalents	**117,529**	578,765
Exchange loss on cash and cash equivalents	**(149)**	(3,125)
Cash and cash equivalents at beginning of the year	**3,726,253**	3,150,613
Cash and cash equivalents at end of the year	**3,843,633**	3,726,253

The notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China National Building Material Company Limited (the "Company") was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 28 March 2005. On 23 March 2006, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's immediate and ultimate holding company is China National Building Material Group Corporation ("Parent"), which is a state-owned enterprise established on 3 January 1984 under the laws of the PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 19. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standard ("IFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and held-for-trading investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRS as of 1 January 2009:

- IFRS 7 'Financial instruments - Disclosures' (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised), 'Presentation of financial statements' — effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This accounting treatment has been applied successively in previous year. The change in accounting policy has no material impact on earnings per share.

- IFRS 8, 'Operating segments' — effective 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There is no significant changes in the disclosures since the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

- IFRS 2 (amendment), 'Share-based payment' — effective 1 January 2009 deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group's financial statements.

(b) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC — Int17, 'Distribution of non-cash assets to owners' — effective on or after 1 July 2009. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC — Int17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', — effective from 1 July 2009. The revised standard requires the effects of all transactions with minority interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- IFRS 3 (revised), 'Business combinations' — effective from 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets' — effective from 1 July 2009. The amendment is part of the IASB's annual improvements project published in April/May 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' — effective from 1 January 2010. The amendment is part of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- IAS 1 (amendment), 'Presentation of financial statements' — effective from 1 January 2010. The amendment is part of the IASB's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions — effective from 1 January 2010. In addition to incorporating IFRIC — Int8, 'Scope of IFRS 2', and IFRIC — Int11, 'IFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in IFRIC — Int11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

- IAS 39 (amendments), 'Eligible Hedged Items' — effective from 1 July 2009. The amendment provides additional guidance on when a financial item can be designated as a hedged item and on assessing hedge effectiveness. The Group will apply IAS 39 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(b) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- IFRS 9, 'Financial Instruments' — effective from 1 January 2013. It is the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how a company manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. The Group will apply IFRS 9 (amendment) from 1 January 2013. It is not expected to have a material impact on the Group's financial statements.

- IFRIC-Int14 (amendment), 'Prepayments of a Minimum Funding Requirement' — effective from 1 January 2011. It permits companies which make an early payment of contributions to cover minimum funding requirements to treat that payment as an asset. The Group will apply IFRIC-Int14 (amendments) from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.

- IFRIC-Int17, 'Distributions of Non-cash Assets to Owners' — effective from 1 July 2009. It requires a dividend payable to be recognised when it has been appropriately authorised and to be measured at fair value. The Group will apply IFRIC-Int17 from 1 January 2010. It is not expected that this interpretation will have a material impact on Group's financial statements.

- IFRIC-Int18, 'Transfers of Assets from Customers' — effective from 1 July 2009. It provides guidance on accounting for items of property, plant and equipment transferred from customers. Where the items meet the definition of an asset, the entity should recognise revenue on the transfer. The Group will apply IFRIC-Int18 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

(c) Interpretations to existing standards which are not yet effective and not relevant for the Group's operation

- IFRIC-Int19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods on or after 1 July 2010)

2.2 Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.4 Purchase of additional interests in subsidiaries

The cost of the purchase of additional interests in subsidiaries is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for these additional interests.

Goodwill is calculated as the difference between the consideration paid for the additional interests and corresponding portion of the carrying value of the net assets of the subsidiary acquired.

Discount on acquisition of additional interests in subsidiaries is recognised as income in the current period.

Impairment of goodwill arising from purchase of additional interest in subsidiaries will follow the same principles for goodwill arising from business combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or business, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2.6 Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Investments in associates *(Continued)*

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal report provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the committee that makes strategic decisions.

2.8 Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Other service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Construction in progress represents property, plant and equipment in the course of construction for production or its own use purposes.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values. Straight line depreciation method is applied to land and buildings, plant and machinery and motor vehicles.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised and less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

2.10 Prepaid lease payments

Upfront prepayments made for the prepaid lease payments and leasehold land are initially recognised in the consolidated statement of financial position as prepaid lease payments and are expensed in the consolidated income statement on a straight line basis over the periods of the respective leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of the investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

2.12 Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12 Leasing *(Continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

2.13 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion, under which condition the revenue cannot be recognised. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB, using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

2.15 Government grants

Government grants, which take many forms including VAT refunds, are recognised as income when the conditions for the grants are met and there is a reasonable assurance that the grant will be received. Government grant relating to expense items are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate and reported separately as other income. Where the grant relates to a depreciable asset, it is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.17 Retirement benefits costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2.18 Cash-settled share-based payment transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash. The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments are granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Taxation

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

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

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred income tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Intangible assets

Intangible assets included the acquired patents, trademarks and mining rights. Patents have finite useful lives and are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

Trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

Mining rights have finite useful lives and are measured initially at purchase cost and are amortised on a straight-line basis over the concession period. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of the intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the consolidated income statement when the intangible assets are derecognised.

2.21 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated into individual cash-generating units, or otherwise they are allocated to the smallest group for which a reasonable and consistent allocation basis can be identified. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Impairment of tangible and intangible assets excluding goodwill *(Continued)*

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

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

2.22 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

2.23 Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in investment and other income.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group only include financial assets held for trading.

A financial asset is classified as held for trading if:

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

At each reporting date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Financial assets *(Continued)*

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amounts due from an associates, amounts due from related parties, trade and other receivables, pledge bank deposits and cash and deposits in banks and a financial institution) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in the consolidated income statement in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognized in accordance with the interest revenue recognition policies above.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability, and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group has not used derivative financial instruments to hedge the risk exposures.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency risk, interest rate risk and equity price risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk

The Group's functional currency is RMB in which most of the transactions are denominated. However, certain cash and cash equivalents and borrowings are denominated in foreign currencies. Foreign currencies are also used to collect the Group's revenue from overseas operations and to settle purchases of machinery and equipment suppliers and certain expenses.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**98,232**	203,861	**787,889**	630,845
European Dollar ("EUR")	**83,911**	17,237	**58,655**	53,406
Hong Kong Dollar ("HKD")	**—**	—	**294**	148
Papua New Guinea Kina ("PGK")	**—**	—	**97,896**	47,000
Others	**—**	—	**844**	380

The Group currently does not use derivative financial instruments to hedge its foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 6.44% increase or decrease in RMB against the relevant foreign currencies. 6.44% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6.44% change in foreign currency rates. A negative number below indicates a decrease in profit where RMB strengthen 6.44% against the relevant currency. For a 6.44% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

Effect on profit after tax

	2009	2008
	RMB'000	*RMB'000*
USD	**(36,532)**	(23,778)
EUR	**1,338**	(2,014)
HKD	**(16)**	(8)
PGK	**(5,186)**	(2,617)
	(40,396)	(28,417)

The change in exchange rate does not affect other component of equity.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry at prevailing market interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The interest rate risk on bank balances is minimal as the fluctuation of the prevailing market interest rate is insignificant.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the basic interest rate declared by People's Bank of China arising from the Group's long-term borrowings.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB26,553.76 million (2008: RMB11,489.93 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2009 would decrease by RMB275.20 million (2008: decrease by RMB125.19 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

The Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate bank borrowings.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments in Note 21 as at 31 December 2009. The Group's listed investments are listed on the Shenzhen Stock Exchange and are valued at quoted market prices at the balance sheet date.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and its respective highest and lowest point during the year was as follows:

	31 December 2009	**High/low 2009**	31 December 2008	High/low 2008
Shenzhen Stock Exchange				
— A Share index	**13,700**	**14,097/6,514**	6,485	19,220/5,577

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the fair values against the Group' profit after tax with all other variables held constant on their carrying amounts at the balance sheet date.

	2009		2008	
	Carrying amount of equity investments 2009	**Increase in profit after tax 2009**	Carrying amount of equity investments 2008	Increase in profit after tax 2008
Investments listed in:				
Shenzhen Stock Exchange				
— Held-for-trading	**313,968**	**25,825**	263,263	22,765

For a 10% decrease in the fair values of the equity investments, there would be an equal and opposite impact on the profit.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk arises from cash and cash equivalents, pledged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 36.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to cover overdue debts. The management also sets several policies to encourage the salespersons increasing the receivables gathering. In addition, the Group reviews the recoverable amounts of trade receivables at each reporting balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

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

The credit risk on bills receivable is limited because the bills are guaranteed by banks for payments and the banks are either the state-owned banks or other creditworthy financial institutions in the PRC.

The Group has no significant concentration of credit risk. Trade receivables (including amounts due from related parties with trading nature) consist of a large number of customers, spread across diverse geographical areas.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2009, the Group has net current liabilities and capital commitments of approximately RMB17,466.29 million and RMB2,275.19 million (Note 37), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2009, the Group had unused banking facilities of approximately RMB25,057.07 million (2008 : approximately RMB27,319 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Comparative information has been restated as permitted by the amendments to IFRS 7 for the liquidity risk disclosures.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Effective interest rate %	Within one year *RMB'000*	One to two years *RMB'000*	Two to three years *RMB'000*	Three to four years *RMB'000*	Four to five years *RMB'000*	After five years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying Amount *RMB'000*
As at 31 December 2009									
Trade and other payables	—	14,415,829	373	2,828	420	275	—	14,419,725	14,419,297
Amounts due to related parties									
— interest-free	—	490,557	—	—	—	—	—	490,557	490,557
— variable rate	5.31%	41,797	—	—	—	—	—	41,797	41,797
Advances from immediate holding company	5.48%	580,000	—	—	—	—	—	580,000	580,000
Borrowings, fixed rate bank loan	4.78%	9,726,017	248,097	1,724,091	193,583	368,700	1,221,967	13,482,455	12,837,531
— variable rate bank loans	5.25%	12,748,389	3,979,525	7,476,300	1,380,749	839,894	1,600,985	28,025,842	26,553,760
— other borrowings from non-financial institutions	—	24,635	—	—	—	—	—	24,635	24,635
— bonds	4.01%	664,200	43,200	43,200	43,200	43,200	1,129,600	1,966,600	1,600,000
Obligations under finance leases	5.41%	318,648	313,192	296,822	296,822	197,586	—	1, 423,070	1,260,711
Dividend payable to minority shareholders	—	4,379	—	—	—	—	—	4,379	4,379
Financial guarantee contracts	5.31%	1,727	13,838	—	—	—	—	15,565	14,780
		39,016,178	4,598,225	9,543,241	1,914,774	1,449,655	3,952,552	60.474,625	57,827,447

Note: The trade and other payables with maturity above one year represent payables generated by engineering contracts services.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying Amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2008									
Trade and other payables	—	19,997,362	3,428	3,704	314	—	—	20,004,808	18,023,388
Amounts due to related parties									
— interest-free	—	189,863	—	—	—	—	—	189,863	189,863
— variable rate	6.33%	489,318	—	—	—	—	—	489,318	489,318
— fixed rate	6.03%	34,997	—	—	—	—	—	34,997	34,997
Advances from immediate holding company	5.48%	1,650,000	—	—	—	—	—	1,650,000	1,650,000
Borrowings									
— fixed rate bank loans	5.75%	8,413,864	744,575	1,115,068	383,467	105,755	—	10,762,729	10,277,061
— variable rate bank loans	6.19%	7,836,350	2,759,140	553,419	644,691	169,907	237,870	12,201,377	11,489,934
— other borrowings from non-financial institutions	—	80,808	—	—	—	—	—	80,808	80,808
— bonds	4.94%	2,489,266	43,200	43,200	43,200	43,200	1,184,596	3,846,662	3,400,000
Obligations under finance leases	6.54%	48,567	34,501	—	—	—	—	83,068	77,909
Dividend payable to minority shareholders	—	7,089	—	—	—	—	—	7,089	7,089
Financial guarantee contracts	6.35%	7,113	15,981	—	—	—	—	23,094	21,720
		41,244,597	3,600,825	1,715,391	1,071,672	318,862	1,422,466	49,373,813	45,742,087

The contractual expiry periods of financial guarantees are as follows:

	2009		2008	
	RMB'000	**Expiry periods**	RMB'000	Expiry periods
Guarantee given to banks in respect of banking facilities utilised by:				
— former related parties	**63,000**	**(2010)**	69,000	(2009-2012)
— independent third parties	**166,000**	**(2010-2016)**	259,300	(2009-2016)
	229,000		328,300	

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is RMB229 million (2008: RMB328.30 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3.2 Capital risk

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 29, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Group review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	313,968	—	—	313,968
Available-for-sale financial assets				
— Equity securities	—	—	139,414	139,414
Total assets	313,968	—	139,414	453,382

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quotes prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The instruments are included in level 1. Instruments includes in level 1 comprise primarily Shenzhen Stock Exchange equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments (i.e. available-for-sale financial assets) for the year ended 31 December 2009.

	Unlisted equity investment *RMB'000*
Opening balance	102,419
Additions	55,121
Losses recognised in profit or loss	(18,126)
Closing balance	139,414
Losses for the period including in profit or loss for assets held at the end of the reporting period	(18,126)

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(CONTINUED)*

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2009, the carrying value of property, plant and equipment is RMB36,589.61 million (2008: approximately RMB26,900.84 million).

Allowance for inventories

During the year, the Group reversed allowance of inventory of approximately RMB0.57 million (2008: write-down of inventories of approximately RMB4.60 million). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2009, the carrying amount of goodwill is approximately RMB7,044.30 million (2008: approximately RMB4,986.75 million). Details of the recoverable amount calculation are disclosed in Note 17.

Allowance for bad and doubtful debts

During the year, the Group reversed allowance for bad and doubtful debts of approximately RMB32.94 million (2008: allowance for bad and doubtful debts of approximately RMB14.17 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debts expenses in the year in which such estimate has been changed.

5. REVENUE

	2009	2008
	RMB'000	*RMB'000*
Sale of goods	**29,938,616**	23,231,966
Provision of engineering services	**3,340,969**	3,104,030
Rendering of other services	**17,778**	29,163
	33,297,363	26,365,159

6. SEGMENTS INFORMATION

(a) Operating segments

For management purpose, the Group is currently organised into four operating divisions - lightweight building materials, cement, engineering services and glass fiber and composite materials. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Lightweight building materials	—	Production and sale of lightweight building materials
Cement	—	Production and sale of cement
Engineering services	—	Provision of engineering services to glass and cement manufacturers and equipment procurement
Glass fiber and composite materials	—	Production and sale of glass fiber and composite materials
Others	—	Merchandise trading business and others

6. SEGMENTS INFORMATION

(a) Operating segments *(Continued)*

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2009

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INCOME STATEMENT							
Revenue							
External sales	3,253,686	23,396,107	3,341,911	2,202,127	1,103,532	—	33,297,363
Inter-segment sales *(Note)*	1,960	—	249,695	—	41,082	(292,737)	—
	3,255,646	23,396,107	3,591,606	2,202,127	1,144,614	(292,737)	33,297,363
Adjusted EBITDA	792,227	4,844,981	498,693	576,227	154,347	—	6,866,475
Depreciation and amortisation	(152,815)	(1,242,248)	(74,074)	(65,957)	(7,214)	575	(1,541,733)
Unallocated other income							29,386
Unallocated other gains							2,196
Unallocated administrative expenses							(107,323)
Share of profit/(loss) of associates	4,022	69,301	(1,991)	(101,779)	39,841	—	9,394
Finance costs-net							(1,516,443)
Profit before income tax							3,741,952
Income tax expense							(664,059)
Profit for the year							3,077,893

The segment result is disclosed as EBITDA, i.e. the profit earned by each segment without allocation of depreciation and amortisation, other expenses, central administration costs, net finance costs, other income, share of profit/(loss) of associates and income tax expense. This is the measure reported to the management for the purpose of resource allocation and assessment of segment performance. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding for management and investors of the operating results of its business segments for the year under evaluation compared to relying on one of the measures.

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2009 *(Continued)*

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	576,620	5,145,300	159,148	241,848	78,415	—	6,201,331
— Prepaid lease payments	90,371	490,240	2,385	46,780	1,107	—	630,883
— Intangible assets	3,471	99,328	553	149	668	—	104,169
— Unallocated							1,465
	670,462	5,734,868	162,086	288,777	80,190	—	6,937,848
— Acquisition of subsidiaries	144,518	5,697,395	120,009	—	—	—	5,961,922
Depreciation and amortisation							
— Property, plant and equipment	144,133	1,104,337	70,048	63,743	4,762	(575)	1,386,448
— Intangible assets	2,154	56,163	696	745	375	—	60,133
— Unallocated							11,504
	146,287	1,160,500	70,744	64,488	5,137		1,458,085

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2009 *(Continued)*

	Lightweight building materials RMB'000	Cement RMB'000	Engineering services RMB'000	Glass fiber and composite materials RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Prepaid lease payments released to the consolidated income statement	6,528	81,748	3,330	1,469	2,077	—	95,152
(Reversal of provision)/ allowance for bad and doubtful debts	13,104	(85,571)	8,129	8,222	23,175	—	(32,941)
(Reversal of provision)/ write-down of inventories	3,857	(4,426)	—	—	—	—	(569)
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	5,148,484	55,326,725	2,802,690	2,528,526	1,020,838	—	66,827,263
Investments in associates	190,959	1,236,956	2,188	1,329,890	119,115	—	2,879,108
Unallocated assets							7,302,666
Total consolidated assets							77,009,037
LIABILITIES							
Segment liabilities	685,537	10,528,949	1,512,848	1,110,836	503,873	—	14,342,043
Unallocated liabilities							45,151,566
Total consolidated liabilities							59,493,609

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2008

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INCOME STATEMENT							
Revenue							
External sales	2,365,698	18,349,554	3,244,114	1,549,738	856,055	—	26,365,159
Inter-segment sales *(Note)*	—	—	647,481	—	—	(647,481)	—
	2,365,698	18,349,554	3,891,595	1,549,738	856,055	(647,481)	26,365,159
Adjusted EBITDA	401,980	3,419,983	564,033	332,713	141,136	6,749	4,866,594
Depreciation and amortisation	(158,464)	(1,098,435)	(5,956)	(46,607)	(18,802)	575	(1,327,689)
Unallocated other loss							(61,510)
Unallocated other expenses							(4,700)
Unallocated administrative expenses							(93,549)
Share of profit/(loss) of associates	18,701	30,959	(2,248)	116,915	(9,000)	—	155,327
Finance costs - net							(1,368,044)
Profit before income tax							2,166,429
Income tax expense							(293,073)
Profit for the year							1,873,356

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2008 *(Continued)*

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	865,194	3,046,684	46,614	194,860	90,084	—	4,243,436
— Prepaid lease payments	163,522	264,061	7,819	5,773	29,353	—	470,528
— Intangible assets	250	151,096	—	5,786	16	—	157,148
— Unallocated							14,398
	1,028,966	3,461,841	54,433	206,419	119,453	—	4,885,510
— Acquisition of subsidiaries	—	13,090,673	—	—	—	—	13,090,673

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2008 *(Continued)*

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Depreciation and amortisation							
— Property, plant and equipment	150,460	997,104	5,720	44,800	16,528	(575)	1,214,037
— Intangible assets	1,244	33,816	8	543	—	—	35,611
— Unallocated							8,578
	151,704	1,030,920	5,728	45,343	16,528	—	1,258,226
Prepaid lease payments released to the consolidated income statement	6,760	67,515	228	1,264	2,274	—	78,041
Allowance/(reversal of provision) for bad and doubtful debts	2,603	(6,941)	9,089	9,326	97	—	14,174
Write-down of inventories	—	4,597	—	—	—	—	4,597

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2008 *(Continued)*

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	3,808,392	36,145,625	697,604	1,023,039	307,830	—	41,982,490
Investments in associates	227,225	1,102,009	10,542	1,434,647	41,545	—	2,815,968
Unallocated assets							14,105,733
Total consolidated assets							58,904,191
LIABILITIES							
Segment liabilities	505,235	14,365,119	1,796,571	871,539	329,128	—	17,867,592
Unallocated liabilities							28,903,375
Total consolidated liabilities							46,770,967

Note : The inter-segment sales carried out with reference to market prices.

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

A reconciliation of total adjusted profit before depreciation and amortisation, finance costs and income tax expense, is provided as follows:

	2009	2008
	RMB'000	*RMB'000*
Adjusted EBITDA for reportable segments	**6,712,128**	4,718,709
Adjusted EBITDA for other segment	**154,347**	141,136
Eliminations	**—**	6,749
Total segments	**6,866,475**	4,866,594
Depreciation of property, plant and equipment	**(1,386,448)**	(1,214,037)
Amortisation of intangible assets	**(60,133)**	(35,611)
Prepaid lease payments released to the consolidated income statement	**(95,152)**	(78,041)
Corporate items	**(75,741)**	(159,759)
Operating profit	**5,249,001**	3,379,146
Finance costs-net	**(1,516,443)**	(1,368,044)
Share of profit of associates	**9,394**	155,327
Profit before income tax	**3,741,952**	2,166,429

6. SEGMENT INFORMATION *(CONTINUED)*

(b) Geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

	Revenue from external customers	
	2009	2008
	RMB'000	*RMB'000*
PRC	**31,889,757**	23,316,056
European countries	**132,019**	123,750
Middle East	**266,266**	765,670
Southeast Asia	**655,612**	1,855,149
Oceania	**228,468**	19,669
Others	**125,241**	284,865
	33,297,363	26,365,159

More than 90% of the Group's operations and assets are located in the PRC for the year ended 31 December 2009 and 2008.

7. INVESTMENT AND OTHER INCOME

	2009 *RMB'000*	2008 *RMB'000*
Dividend from available-for-sale financial assets	—	2,952
Discount on acquisition of interests/additional interests in subsidiaries	**188,264**	104,415
Financial guarantee income *(Note 32)*	**6,940**	31,805
Gain on disposal of property, plant and equipment	**4,807**	—
Government subsidies:		
VAT refunds *(Note a)*	**632,115**	483,955
Government grants *(Note b)*	**539,496**	475,758
Interest subsidy	**12,932**	330
Increase/(decrease) in fair value of held-for-trading investments	**154,400**	(40,635)
Net rental income from:		
— investment properties *(Note 16)*	**43,266**	51,513
— equipment	**8,067**	5,460
Recovery of bad debts previously written off	**80,054**	10,839
Technical and other service income	**14,738**	20,864
Waiver of payables	**258,285**	9,144
Gain on disposal of subsidiaries	**28,105**	2,484
Others	**65,364**	27,699
	2,036,833	1,186,583

Notes:

(a) The State Council of the PRC issued a "Notice Encouraging Comprehensive Utilisation of Natural Resources (the "Notice") in 1996 to encourage and support enterprises, through incentive policies, to comprehensively utilise nature resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that recognised industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.

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

8. FINANCE COSTS - NET

	2009	2008
	RMB'000	*RMB'000*
Interest expenses on bank borrowings:		
— wholly repayable within five years	**1,924,865**	1,743,079
— not wholly repayable within five years	**44,036**	43,200
	1,968,901	1,786,279
Less : interest capitalised to construction in progress	**(162,688)**	(171,483)
	1,806,213	1,614,796
Interest income:		
— interest on bank deposits	**(135,195)**	(128,308)
— interest on loans receivable	**(154,575)**	(118,444)
Finance costs — net	**1,516,443**	1,368,044

Borrowing costs capitalised for the year ended 31 December 2009 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.9% (2008: 5.9%) per annum to expenditure on the qualifying assets.

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2009

	Fees	Salaries, allowance and benefits-in-kinds	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	787	2,180	26	391	3,384
Mr. Li Yimin	—	391	510	26	201	1,128
Mr. Peng Shou	—	399	1,540	14	201	2,154
Mr. Cui Xingtai	—	392	1,140	26	201	1,759
Non-executive directors						
Ms. Cui Lijun	—	156	—	—	—	156
Mr. Huang Anzhong	—	120	—	—	—	120
Mr. Zuo Fenggao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Zhang Renwei	—	240	—	—	—	240
Mr. Zhou Daojiong	—	240	—	—	—	240
Mr. Chi Haibin	—	—	—	—	—	—
Mr. Lau Ko Yuen, Tom	—	240	—	—	—	240
Mr. Li De Cheng	—	320	—	—	—	320
Supervisors						
Mr. Shen Anqin	—	60	—	—	—	60
Ms. Zhou Guoping	—	60	—	—	—	60
Mr. Bao Wenchun	—	—	—	—	—	—
Ms. Cui Shuhong	—	141	172	26	78	417
Mr. Zhang Zhaomin	—	—	—	—	—	—
Mr. Liu Chijin	—	120	—	—	—	120
Mr. Liu Zhi Ping	—	141	172	26	78	417
Mr. Ma Zhong Zhi	—	120	—	—	—	120
	—	3,927	5,714	144	1,150	10,935

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(a) Directors' and supervisors' emoluments *(Continued)*

Year ended 31 December 2008

	Fees	Salaries, allowance and benefits-in-kinds	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	784	1,350	23	391	2,548
Mr. Li Yimin	—	388	240	23	201	852
Mr. Peng Shou	—	386	1,100	12	201	1,699
Non-executive directors						
Ms. Cui Lijun	—	126	—	—	—	126
Mr. Huang Anzhong	—	90	—	—	—	90
Mr. Zuo Fenggao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Zhang Renwei	—	195	—	—	—	195
Mr. Zhou Daojiong	—	195	—	—	—	195
Mr. Chi Haibin	—	135	—	—	—	135
Mr. Lau Ko Yuen, Tom	—	195	—	—	—	195
Mr. Li De Cheng	—	—	—	—	—	—
Supervisors						
Mr. Shen Anqin	—	45	—	—	—	45
Ms. Zhou Guoping	—	45	—	—	—	45
Mr. Bao Wenchun	—	51	—	—	—	51
Ms. Cui Shuhong	—	137	72	23	78	310
Mr. Zhang Zhaomin	—	30	—	—	—	30
Mr. Liu Chijin	—	90	—	—	—	90
Mr. Liu Zhi Ping	—	137	72	23	78	310
Mr. Ma Zhong Zhi	—	60	—	—	—	60
	—	3,089	2,834	104	949	6,976

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2008: three) individuals were as follows:

	2009 *RMB'000*	2008 *RMB'000*
Salaries, allowances and benefits in kind	**391**	1,052
Share appreciation rights	**201**	201
Discretionary bonuses	**790**	2,646
Retirement plan contributions	**26**	41
	1,408	3,940

Their emoluments paid by the Group are within the following bands:

	Number of the five highest paid individuals 2009	 2008
Nil - HKD1,000,000 (equivalent to RMB879,900)	**—**	—
HKD1,000,001 - HKD1,500,000 (equivalent to RMB1,319,850)	**—**	3
HKD1,500,001 - HKD2,000,000 (equivalent to RMB1,759,800)	**1**	—

No emoluments were paid by the Group to the directors, supervisors nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and none of the directors and supervisors has waived any emoluments for both years.

10. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
Depreciation of:		
— property, plant and equipment	**1,387,301**	1,215,127
— investment properties	**10,651**	7,488
	1,397,952	1,222,615
Amortisation of intangible assets (included in cost of sales)	**60,133**	35,611
Total depreciation and amortisation	**1,458,085**	1,258,226
Impairment loss on property, plant and equipment	**6,087**	—
Impairment loss on prepaid lease payments	**9,210**	—
Cost of inventories recognised as expenses	**22,709,056**	18,700,744
Prepaid lease payments released to the consolidated income statement	**95,152**	78,041
Auditors' remuneration	**7,472**	5,910
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**1,719,454**	935,057
— Share appreciation rights	**2,877**	2,877
— Retirement plan contributions	**189,309**	83,926
Total staff costs	**1,911,640**	1,021,860
(Reversal of provision)/allowance for bad and doubtful debts	**(32,941)**	14,174
(Reversal of provision)/write-down of inventories	**(569)**	4,597
Operating lease rentals	**25,799**	12,493
(Gain)/loss on disposal of property, plant and equipment	**(4,807)**	4,491
Net foreign exchange losses	**87,586**	19,704

11. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Current income tax	**772,407**	385,920
Deferred income tax *(Note 30)*	**(108,348)**	(92,847)
	664,059	293,073

PRC income tax is calculated at 25% (2008: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

The total charge for the year can be reconciled to the profit before income tax as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**3,741,952**	2,166,429
Tax at domestic income tax rate of 25% (2008: 25%)	**935,488**	541,607
Tax effect of:		
Share of profit of associates	**(2,349)**	(38,834)
Expenses not deductible for tax purposes	**29,299**	47,106
Income not taxable for tax purposes	**(73,158)**	(25,618)
Tax effect of tax losses not recognised	**20,735**	50,792
Utilisation of previously unrecognised tax losses	**(77,121)**	(108,240)
Income tax credits granted to subsidiaries on utilisation of industrial waste *(Note a)*	**—**	(73,978)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note b)*	**(63,785)**	(62,700)
Effect of different tax rates of subsidiaries	**(105,050)**	(37,385)
Effect of deferred tax due to the change in income tax rate	**—**	323
Income tax expense	**664,059**	293,073

11. INCOME TAX EXPENSE *(CONTINUED)*

Notes:

(a) Pursuant to the relevant tax rules and regulations, tax credits were granted to certain subsidiaries of the Company on utilisation of industrial waste as part of the raw materials. The credits are allowed as a deduction of current PRC income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

(b) Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC, to the extent of the PRC income tax expense for the current year in excess of that for the previous year. Such PRC income tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

12. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividends paid	**111,655**	72,880
Proposed final dividend — RMB0.07 (2008 : RMB0.045) per share	**173,685**	111,655

The final dividend of RMB0.07 per share has been proposed by the board of directors and is subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2009	2008
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**2,352,396**	1,511,542

	2009	*2008*
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,449,086**	2,208,488

No diluted earnings per share have been presented as the Group did not have any dilutive potential ordinary shares outstanding during both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
As at 1 January 2008	1,447,804	5,164,413	7,715,307	261,274	14,588,798
Additions	3,194,946	406,084	595,342	51,381	4,247,753
Acquisition of subsidiaries *(Note 35)*	729,738	4,792,282	5,595,522	81,569	11,199,111
Transfer from construction in progress	(2,066,002)	504,272	1,555,089	6,641	—
Transfer to construction in progress for reconstruction	96,132	(92,893)	(31,752)	—	(28,513)
Disposals	—	(136,095)	(300,967)	(11,711)	(448,773)
Disposal of a subsidiary	—	(10,697)	(6,332)	(8,277)	(25,306)
Transfer to investment properties *(Note 16)*	—	(9,719)	—	—	(9,719)
Transfer from investment properties *(Note 16)*	—	7,258	—	—	7,258
As at 31 December 2008 and 1 January 2009	3,402,618	10,624,905	15,122,209	380,877	29,530,609
Additions	5,363,153	357,084	400,549	81,190	6,201,976
Acquisition of subsidiaries *(Note 35)*	175,397	2,222,460	2,500,297	50,007	4,948,161
Transfer from construction in progress	(4,288,948)	1,449,103	2,834,087	5,758	—
Transfer to construction in progress for reconstruction	853,530	(264,813)	(811,706)	(579)	(223,568)
Disposals	(42,280)	(81,426)	(200,862)	(29,422)	(353,990)
Disposal of a subsidiary	—	—	(341)	—	(341)
Transfer from investment properties *(Note 16)*	—	8,222	—	—	8,222
As at 31 December 2009	5,463,470	14,315,535	19,844,233	487,831	40,111,069
DEPRECIATION AND IMPAIRMENT					
As at 1 January 2008	—	392,605	1,130,614	60,482	1,583,701
Charge for the year	—	297,010	873,727	44,390	1,215,127
Elimination on transfer to construction in progress for reconstruction	—	(23,069)	(5,444)	—	(28,513)
Disposals	—	(19,792)	(107,746)	(9,164)	(136,702)
Elimination on transfer to investment properties *(Note 16)*	—	(4,636)	—	—	(4,636)
Transfer from investment properties *(Note 16)*	—	792	—	—	792
As at 31 December 2008 and 1 January 2009	—	642,910	1,891,151	95,708	2,629,769

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Construction in progress RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Charge for the year	—	380,824	956,495	49,982	1,387,301
Elimination on transfer to construction in progress for reconstruction	—	(24,069)	(198,920)	(579)	(223,568)
Disposals	—	(68,399)	(194,199)	(16,249)	(278,847)
Transfer from investment properties *(Note 16)*	—	715	—	—	715
Impairment loss recognised	(110,137)	62,974	53,218	32	6,087
As at 31 December 2009	(110,137)	994,955	2,507,745	128,894	3,521,457
CARRYING VALUES					
As at 31 December 2009	5,573,607	13,320,580	17,371,688	358,937	36,589,612
As at 31 December 2008	3,402,618	9,981,995	13,231,058	285,169	26,900,840

The carrying value amount of land and buildings shown above comprises leasehold interests in land situated in the PRC under medium term leases.

As at 31 December 2009, the carrying value of plant and machinery includes an amount of approximately RMB1,348.20 million (2008: approximately RMB131.84 million) in respect of assets held under finance leases.

At the reporting date, the carrying amount of the Group's property, plant and equipment pledged to secure the bank borrowings granted to the Group is analysed as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Land and buildings	**1,308,141**	1,315,719
Plant and machinery	**2,036,206**	1,355,098
Motor vehicles	**18,094**	874
Total	**3,362,441**	2,671,691

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, as follows:

Land and buildings	2.38%
Plant and machinery	5.28% to 9.50%
Motor vehicles	9.50%

At 31 December 2009, land and buildings with carrying value of approximately RMB534.95 million (2008: approximately RMB681.29 million) are still in the process of applying the title certificates.

15. PREPAID LEASE PAYMENTS

	2009	2008
	RMB'000	*RMB'000*
CARRYING AMOUNT		
At beginning of the year	**3,487,838**	1,569,202
Additions	**630,883**	470,528
Acquisition of subsidiaries *(Note 35)*	**814,462**	1,630,744
Released to the consolidated income statement	**(95,152)**	(78,041)
Disposals	**(29,329)**	(72,080)
Impairment loss recognised	**(9,210)**	—
Transfer to investment properties *(Note 16)*	**—**	(32,515)
At end of the year	**4,799,492**	3,487,838

Analysis of the carrying amount of prepaid lease payments is as follows:

	2009	2008
	RMB'000	*RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**4,706,127**	3,404,818
Current portion included in other receivables, deposits and prepayments	**93,365**	83,020
	4,799,492	3,487,838

15. PREPAID LEASE PAYMENTS *(CONTINUED)*

The amount represents the prepaid lease payments situated in the PRC for a period of 10 - 50 years.

As at 31 December 2009, prepaid lease payments with carrying value of approximately RMB445.14 million (2008: RMB527.53 million) are still in the process of applying the title certificates.

As at 31 December 2009, the Group has pledged prepaid lease payments with a carrying value of approximately RMB637.88 million (2008: approximately RMB239.13 million) to secure bank borrowings granted to the Group.

16. INVESTMENT PROPERTIES

	2009 ***RMB'000***	2008 *RMB'000*
COST		
At beginning of the year	**374,088**	346,619
Additions	**820**	10,081
Disposals	**(35,296)**	(21,366)
Transfer from prepaid lease payments *(Note 15)*	**—**	36,293
Transfer from property, plant and equipment *(Note 14)*	**—**	9,719
Transfer to property, plant and equipment *(Note 14)*	**(8,222)**	(7,258)
At end of the year	**331,390**	374,088
DEPRECIATION		
At beginning of the year	**42,196**	30,279
Charge for the year	**10,651**	7,488
Disposals	**(3,557)**	(3,193)
Transfer from prepaid lease payments *(Note 15)*	**—**	3,778
Transfer from property, plant and equipment *(Note 14)*	**—**	4,636
Transfer to property, plant and equipment *(Note 14)*	**(715)**	(792)
At end of the year	**48,575**	42,196
CARRYING VALUES		
At end of the year	**282,815**	331,892

16. INVESTMENT PROPERTIES *(CONTINUED)*

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2008: 2.38%) per annum.

As at 31 December 2009, the Group has pledged investment properties with a carrying value of approximately RMB30 million (2008: approximately RMB32.53 million) to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2009 was approximately RMB378.67 million (2008: approximately RMB404.10 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local values, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB45.17 million (2008: approximately RMB54.51 million). Direct operating expenses arising on the investment properties amounted to approximately RMB1.90 million (2008: approximately RMB2.99 million).

17. GOODWILL

	2009 ***RMB'000***	2008 *RMB'000*
At beginning of the year	**4,986,745**	1,130,556
Arising from acquisition of:		
— subsidiaries *(Note 35)*	**1,683,357**	3,810,730
— additional interest in subsidiaries	**374,196**	45,459
At end of the year	**7,044,298**	4,986,745

17. GOODWILL *(CONTINUED)*

Goodwill is allocated to the cash generating units ("CGUs") that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated as follows:

	2009	2008
	RMB'000	*RMB'000*
Lightweight building materials	**87,205**	99,380
Cement	**6,922,270**	4,871,312
Engineering services	**62**	62
Glass fiber and composite materials	**15,991**	15,991
Others	**18,770**	—
	7,044,298	4,986,745

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial budgets of 5 years and extrapolates cash flows for the following five years with growth rate of 5% assuming the existing level of sales and production remaining the same and a discount rate of 13% per annum. Cash flows beyond the five-year period are extrapolated using estimated growth rates which are consistent with prior year and the forecasts in same industry. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

18. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
COST			
As at 1 January 2008	351,272	30,842	382,114
Additions	150,799	6,349	157,148
Acquisition of subsidiaries *(Note 35)*	241,236	19,582	260,818
Disposals	—	(5,152)	(5,152)
As at 31 December 2008 and 1 January 2009	743,307	51,621	794,928
Additions	95,956	8,213	104,169
Acquisition of subsidiaries *(Note 35)*	190,432	8,867	199,299
As at 31 December 2009	1,029,695	68,701	1,098,396
AMORTISATION AND IMPAIRMENT			
As at 1 January 2008	10,028	14,007	24,035
Charge for the year	33,109	2,502	35,611
Disposals	—	(4,790)	(4,790)
As at 31 December 2008 and 1 January 2009	43,137	11,719	54,856
Charge for the year	49,556	10,577	60,133
As at 31 December 2009	92,693	22,296	114,989
CARRYING VALUES			
As at 31 December 2009	937,002	46,405	983,407
As at 31 December 2008	700,170	39,902	740,072

Trademarks have indefinite useful lives. Patents included above have finite useful lives, over which the assets are amortised. The amortisation rates of patents are ranging from 5% to 10% per annum. Mining rights are amortised over its concession period from 2 years to 30 years.

The directors of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised as at 31 December 2009 and 2008 in the consolidated income statement.

19. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2008, which are established and operated in the PRC, are as follows:

Name of subsidiary	Norminal value of paid-in capital *(Note i)*	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2009 %	2008 %	**2009** %	2008 %	
BNBM *(Note ii)*	RMB575,150,000	**52.40**	52.40	**—**	—	Production and sale of lightweight building materials
Shangdong Taihe Dongxin Company Limited *(Note iv)*	RMB155,625,000	**—**	—	**34.06**	34.06	Production and sale of composite materials
Suzhou of Beijing New Building Materials Public Limited Company	RMB80,000,000	**—**	—	**52.40**	52.40	Production and sale of composite materials
China United Cement Company Limited ("China United") *(Note v)*	RMB4,000,000,000	**100.00**	100.00	**—**	—	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**—**	—	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited ("Huaihai")	RMB310,820,000	**—**	—	**93.00**	93.00	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Taishan China United Cement Company Limited	RMB116,680,000	**—**	—	**90.00**	90.00	Production and sale of cement
Qufu China United Cement Company Limited ("Qufu") *(Note vi)*	RMB130,000,000	**—**	—	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**—**	—	**90.00**	90.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB105,000,000	**—**	—	**100.00**	100.00	Production and sale of cement

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2008, which are established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Norminal value of paid-in capital *(Note i)*	Attributable equity interest to the Company Direct 2009 %	Direct 2008 %	Indirect 2009 %	Indirect 2008 %	Principal activities
Xuzhou China United Cement Company Limited	RMB346,940,000	—	—	100.00	100.00	Production and sale of cement
South Cement Company Limited ("South Cement") *(Note vii)*	RMB3,500,000,000	82.87	79.15	—	—	Production and sale of cement
Zhejiang Cement Company Limited	RMB1,200,000,000	—	—	82.87	79.15	Production and sale of cement
Zhejiang Hushan Group Company Limited	RMB300,000,000	—	—	82.87	79.15	Production and sale of cement
Zhejian Yulang Cement Company Limited	RMB191,882,385	—	—	82.87	79.15	Production and sale of cement
Liyang Hansheng Cement Company Limited	RMB375,000,000	—	—	82.87	79.15	Production and sale of cement
Hunan South Cement Company Limited ("Hunan South Cement") *(Note viii)*	RMB2,000,000,000	—	—	82.87	79.15	Production and sale of cement
Chenzhou Dongjiang Jinlei Cement Company Limited	RMB57,500,000	—	—	82.87	79.15	Production and sale of cement
Zhaoshanxinxing Group Liuyang Company Limited	RMB160,000,000	—	—	82.87	79.15	Production and sale of cement
CNBM investment Company Limited ("CNBM Investment") *(Note ix)*	RMB500,000,000	100.00	100.00	—	—	Sale of lightweight building materials
China Composites Group Corporation Limited ("China Composites")*(Note iii)*	RMB350,000,000	100.00	100.00	—	—	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong & Composite Material Group Company Limited	RMB169,758,600	—	—	96.92	96.92	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	—	—	75.00	75.00	Production and sale of PVC tiles
Changzhou China Composites Tianma Fiberglass Products Company Limited ("Zhongxin Tianma") *(Note iii)*	USD11,885,000	—	—	30.00	30.00	Production and sale of glass fiber materials
China Triumph International Engineering Company Limited	RMB220,000,000	91.00	91.00	—	—	Provision of engineering services

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2008, which are established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Norminal value of paid-in capital *(Note i)*	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2009 %	2008 %	**2009 %**	2008 %	
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited	RMB5,000,000	**—**	—	**50.05**	50.05	Provision of engineering services
China Triumph Nanjing Cement Technological and Engineering Company Limited	RMB100,000,000	**—**	—	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**—**	—	**91.00**	91.00	Provision of engineering services
North Cement Company Limited ("North Cement") *(Note x)*	RMB900,000,000	**50%**	—	**—**	—	Production and sale of cement
Tonglu Sanshi Building Materials Company Limited ("Tonglu Sanshi")*(Note xi)*	RMB100,000,000	**—**	—	**82.87**	—	Production and sale of building materials
Zhejiang Sanshi Cement Holding Company Limited ("Sanshi Cement")*(Note xi)*	RMB235,752,552	**—**	—	**58.30**	—	Production and sale of cement
Fuyang Sanshi Cement Company Limited ("Fuyang Sanshi") *(Note xi)*	RMB100,000,000	**—**	—	**57.84**	—	Production and sale of cement
Zhejiang Sanshi Xiaopu Cement Limited ("Sanshi Xiaopu") *(Note xi)*	RMB12,000,000	**—**	—	**82.87**	—	Production and sale of cement
Anhui Sanshi Hede Cement Company Ltd ("Sanshi Hede") *(Note xi)*	RMB120,000,000	**—**	—	**82.87**	—	Production and sale of cement
Zhejiang Sanshi Group Changxing Golden Nail Building Material Company Limited (Sanshi Changxing) *(Note xi)*	RMB128,000,000	**—**	—	**62.15**	—	Production and sale of building materials
Shaoxing Sanshi Cement Company Limited ("Shaoxing Sanshi") *(Note xi)*	RMB60,000,000	**—**	—	**82.87**	—	Production and sale of cement
Jiande Sanshi Cement Company Limited ("Jiande Sanshi") *(Note xi)*	RMB82,768,000	**—**	—	**82.87**	—	Production and sale of cement
Zhejiang Sanshi Group Wutong Building Materials Company Limited ("Sanshi Wutong") *(Note xi)*	RMB40,000,000	**—**	—	**82.87**	—	Production and sale of building materials

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Details of the Company's principal subsidiaries as at 31 December 2009 and 31 December 2008, which are established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Norminal value of paid-in capital *(Note i)*	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2009 %	2008 %	**2009** %	2008 %	
Zhejiang Sanshi Group Jiaxing Cement Company Limited ("Sanshi Jiaxing") *(Note xi)*	RMB200,000,000	**—**	—	**82.87**	—	Production and sale of cement
Tai An Jindun Building Materials Company Limited ("Tai An Jindun") *(Note xii)*	RMB5,000,000	**—**	—	**52.40**	—	Production and sales of joist
Tai Shan Gypsum (Shaanxi) Company Limited ("Tai Shan (Shaanxi)") *(Note xii)*	RMB20,000,000	**—**	—	**52.40**	—	Production and sale of gypsum board
Tai Shan Gypsum (Yunan) Company Limited ("Tai Shan (Yunan)") *(Note xii)*	RMB10,000,000	**—**	—	**52.40**	—	Production and sale of gypsum board
Nanjing China United Cement Company Limited *(Note 35a(ii))*	RMB200,000,000	**—**	—	**90.00**	—	Production and sale of cement

Notes:

(i) The paid-in capital of BNBM is ordinary share capital and paid-in capital of the rest of the companies is registered capital.

(ii) BNBM is a joint stock company listed on the Shenzhen Stock Exchange.

(iii) China Composites is entitled to nominate two directors to the five-member board of directors of Zhongxin Tianma in accordance with the joint venture agreement of Zhongxin Tianma. Pursuant to the agreement dated 29 January 2004 entered into between China Composites and Changzhou Tianma Group Company Limited ("Changzhou Tianma"), which holds 35% equity interests in Zhongxin Tianma, Changzhou Tianma assigned Zhongxin Tianma the voting rights of the two directors nominated by Changzhou Tianma. Consequently, Zhongxin Tianma has been controlled by China Composites since year 2004 and has been accounted for as a subsidiary since then.

(iv) The entity is considered to be controlled by the Company because it is a subsidiary of another Company's subsidiary.

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Notes: (Continued)

(v) On 3 April 2009, the Company injected additional share capital of RMB2 billion into China United as registered capital.

(vi) On 1 April, 2009, the Company and minority shareholders injected additional share capital of RMB 84.42 million and RMB9.38 million into Qufu as a registered capital respectively. The equity interest held by the Company remains the same after the transition.

(vii) During the year, the Company and minority shareholders injected additional share capital of RMB900 million and RMB199.50 million into South Cement as registered capital respectively. Therefore, the Group effectively increased equity its equity interest.

(viii) On 10 April 2009, the Company injected additional share capital RMB1 billion into Hunan South Cement as registered capital.

(ix) On 24 March 2009, the Company injected additional share capital of RMB284.32 million into CNBM Investment as registered capital.

(x) On 3 March 2009, the Company and Liaoyuan Jing Cement Company Limited ("Liaoyuan") entered into Capital Contribution Agreement for establishment of North Cement. Finally, the Company and Liaoyuan had injected RMB450 million separately as the registered capital.

(xi) On 26 June 2009, South Cement, subsidiary of the Company, further acquired 45% equity interests in Sanshi Hede, 38% equity interests in Shaoxing Sanshi, 40% equity interests in Jiande Sanshi, 49% equity interests in Tonglu Sanshi, 46% equity interests in Sanshi Jiaxing held by Sanshi Group and to acquire 38% equity interests in Sanshi Changxing, 67.46% equity interests in Sanshi Cement, 6.75% equity interests in Sanshi Wutung, 51% equity interests in Sanshi Xiaopu and 44.8% equity interests in Fuyang Sanshi. Details of the acquisition were disclosed in Note 35a(i).

(xii) On 31 July 2009, BNBM, subsidiary of the Company further acquired 60% equity interests in Tai An Jindun, 55% equity interests in Tai Shan (Yunan) and Tai Shan (Shaanxi). Details of the acquisition were disclosed in Note 35a(iv).

(xiii) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(xiv) None of the subsidiaries had issued any debt securities at the end of the both years.

20. INVESTMENTS IN ASSOCIATES

	2009 RMB'000	2008 RMB'000
Cost of investments in associates		
— listed in the PRC	**156,728**	156,728
— unlisted	**1,720,215**	1,777,216
Share of post-acquisition profit, net of dividend received	**1,002,165**	882,024
	2,879,108	2,815,968
Fair value of listed investments	**3,901,802**	2,667,691

As at 31 December 2009, the cost of investments in associates included goodwill of associates of approximately RMB94.41 million (2008: approximately RMB65.50 million).

As at 31 December 2009 and 31 December 2008, the Group had interests in the following principal incorporated associates established in the PRC:

Name of associate	Nominal value of registered capital	Attributable equity interest to the Group 2009 %	2008 %	Principal activities
China Fiberglass *(Note i)*	RMB427,392,000	**36.15**	36.15	Production of glass fiber
Yaopi *(Note ii)*	RMB731,250,100	**16.26**	16.26	Production of float glass
Jushi Group Company Limited *(Note iii)*	USD256,200,000	**11.50**	11.50	Production of glass fiber
Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") *(Note iv)*	RMB1,000,000,000	**50.00**	50.00	Production of cement
Zhongfu Shenying Carbon Fiber Company Limited	RMB136,360,000	**45.00**	45.00	Production carbon fiber
Hubei Daye Jianfeng Cement Company Limited *(Note v)*	RMB250,000,000	**24.00**	40.00	Production and sale of cement
Dengfeng China United Dengdian Cement Limited	RMB300,000,000	**50.00**	50.00	Production and sale of cement
Shangdong Donghua Cement Company Limited	RMB350,000,000	**50.00**	50.00	Production and sale of cement

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes:

(i) China Fiberglass is a joint stock company listed on the Shanghai Stock Exchange.

(ii) Yaopi is a joint stock company listed on the Shanghai Stock Exchange. Although the Group holds less than 20% of the voting power in Yaopi, the Group has exercised significant influence to govern the financial and operating policies by virtue of having two directors out of the eight-member board of Yaopi.

(iii) Jushi Group Company Limited was regarded as an associate of the Company as it is the subsidiary of China Fiberglass.

(iv) Nanfang Wannianqing was regarded as an associate of the Group as another shareholder of Nanfang Wannianqing obtains majority of the representation of its board of directors and effectively the power to govern its operating financial and operating policies. The Group exercises significant influence over it.

(v) The equity interests held by the Company had been diluted from 40% to 24% due to the increase in registered capital by RMB100 million in June 2009.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or forms a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, results in particulars of excessive length.

Summarised financial information prepared in accordance with IFRSs in respect of the Group's associates is set out below:

	2009 ***RMB'000***	2008 *RMB'000*
Revenue	**13,968,433**	11,861,547
(Loss)/profit for the year	**(243,296)**	1,176,881
Group's share of associates' profit for the year	**9,394**	155,327
Total assets	**40,377,332**	35,011,546
Total liabilities	**(28,771,549)**	(17,479,376)
Net assets attributable to the equity holders of the associates	**9,774,981**	9,901,190
Group's share of associates' net assets	**2,754,440**	2,750,472

21. INVESTMENTS

	2009 RMB'000	2008 RMB'000
Available-for-sale financial assets		
Unlisted equity shares, at cost *(Note)*	**139,414**	102,419
Held-for-trading investments at market value:		
Quoted investment funds	**1,324**	800
Quoted listed equity shares	**312,644**	262,463
	313,968	263,263

Note: The available-for-sale financial assets are accounted for at cost less accumulated impairment losses as such investments do not have a quoted market price in an active market and the range of reasonable fair value estimated is so significant that the directors are of the opinion that their fair values cannot be reliably measured.

22. DEPOSITS

	2009 RMB'000	2008 RMB'000
Investment deposits for acquisition of subsidiaries	**664,215**	402,914
Investment deposits for acquisition of associates	**140,000**	—
Investment deposits for acquisition of joint controlled entities	**93,960**	100,000
Deposits paid to acquire property, plant and equipment	**2,085,737**	396,196
Deposits paid to acquire intangible assets	**9,952**	—
Deposits paid in respect of prepaid lease payments	**81,914**	70,558
	3,075,778	969,668

Note: The carrying amounts of the deposits approximate to their fair values.

23. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**2,375,290**	1,619,092
Work-in-progress	**736,831**	691,892
Finished goods	**1,553,412**	925,783
Consumables	**76,033**	94,456
	4,741,566	3,331,223

24. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables, net of allowance for bad and doubtful debts *(Note b)*	**3,028,840**	2,441,217
Bills receivable *(Note c)*	**1,154,653**	1,268,890
Amounts due from customers for contract work *(Note 26)*	**684,045**	316,543
Loans receivable *(Note g)*	**420,310**	809,913
Other receivables, deposits and prepayments	**4,721,583**	3,807,267
	10,009,431	8,643,830

Notes:

(a) The carrying amounts of the trade and other receivables approximate to their fair values.

(b) The Group normally allowed an average of credit period of 60-180 days to its trade customers. Ageing analysis of trade receivables is as follows:

	2009 RMB'000	2008 RMB'000
Within two months	**1,662,385**	1,896,371
More than two months but within one year	**1,055,455**	415,589
Between one and two years	**240,850**	66,335
Between two and three years	**39,730**	30,399
Over three years	**30,420**	32,523
	3,028,840	2,441,217

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

(c) The bills receivable is aged within six months.

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB1,329.17 million (2008: approximately RMB526.51 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has not been a significant change in credit quality. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2009, the retention receivables of approximately RMB30.69 million (2008: RMB18.34 million) and receivables within contractual payment term of approximately RMB14.70 million (2008: approximately RMB6.24 million) with ageing between one and two years are not past due.

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

	2009	2008
	RMB'000	*RMB'000*
More than two months but within one year	**1,030,466**	403,491
Between one and two years	**228,554**	60,095
Between two and three years	**39,730**	30,399
Over three years	**30,420**	32,523
	1,329,170	526,508

(e) Movement in the allowance for bad and doubtful debts:

	2009	2008
	RMB'000	*RMB'000*
Balance at beginning of the year	**224,574**	102,752
Additions from acquisition of subsidiaries	**192,703**	107,648
(Reversal of provision)/allowances for bad and doubtful debts	**(32,941)**	14,174
Balance at end of the year	**384,336**	224,574

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

(f) Carrying amounts of trade and other receivables were denominated in the following currencies:

	2009	2008
	RMB'000	*RMB'000*
RMB	**9,211,531**	8,047,867
EUR	**22,817**	13,231
PGK	**13,877**	12,978
USD	**760,789**	569,754
Others	**417**	—
	10,009,431	8,643,830

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted to the report date.

(g) The amounts are carried interests at interest rates of 5.41%-10.36% (2008: ranged from 7.47% - 12%) per annum and repayable within one year. The balance is due from independent parties and is unsecured.

(h) As at 31 December 2009, none of the bills receivable (2008: approximately RMB429.34 million) of the Group has pledged to secure bank borrowings granted to the Group.

25. AMOUNTS DUE FROM / (TO) RELATED PARTIES

	2009 RMB'000	2008 RMB'000
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**596,928**	337,901
Associates	**5,837**	4,890
Minority shareholders of subsidiaries	**36,927**	81,666
	639,692	424,457
Non-trading in nature:		
Fellow subsidiaries	**106,466**	200
Associates	**107,269**	95,860
Minority shareholders of subsidiaries	**119,963**	224,786
	333,698	320,846
	973,390	745,303
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**81,448**	80,687
Associates	**17,770**	6,305
Minority shareholders of subsidiaries	**35,359**	550,880
	134,577	637,872
Non-trading in nature:		
Fellow subsidiaries	**290,435**	2,710
Immediate holding company	**580,000**	1,650,000
Minority shareholders of subsidiaries	**107,342**	73,596
	977,777	1,726,306
	1,112,354	2,364,178

25. AMOUNTS DUE FROM / (TO) RELATED PARTIES *(CONTINUED)*

The carrying amounts of amounts due from and to related parties approximate to their fair values. All amounts are unsecured and repayable on demand. The trading nature portion of amounts due from and to related parties is aged within one year.

As at 31 December 2009, amounts due from related parties of approximately RMB92.12 million (2008: approximately RMB111.27 million) carry the variable loan interest rate stipulated by the bank for the corresponding period at rate of 5.31% (2008: range from 4.86%-7.47%) per annum and approximately RMB4.38 million (2008: Nil) carry fixed interest rate of 10% per annum. The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2009, amounts due to related parties of approximately RMB41.80 million (2008: approximately RMB489.32 million) carry the variable interests stipulated by the bank for the corresponding period at rate of 5.31% (2008: range from 5.31%-7.47%) per annum and nil amounts due to related parties (2008: approximately RMB35 million carried fixed interest at rate of 6.03% per annum). The remaining balances of amounts due to related parties are interest-free.

26. AMOUNTS DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

	2009 ***RMB'000***	2008 *RMB'000*
Contracts in progress at reporting date		
Analysed for reporting purposes as:		
Contract costs incurred plus recognised		
profits less recognised losses to date	**4,735,438**	4,944,957
Less: progress billings	**(4,137,816)**	(4,720,137)
	597,622	224,820
Amounts due from contract customers		
included in trade and other receivables *(Note 24)*	**684,045**	316,543
Amounts due to contract customers		
included in trade and other payables *(Note 28)*	**(86,423)**	(91,723)
	597,622	224,820

As at 31 December 2009, advances received from customers for contract work amounted to RMB86.42 million (2008: RMB91.72 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 24, amounted to RMB30.69 million (2008: RMB18.34 million).

27. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

Cash and cash equivalents/pledged bank deposits denominated in non-functional currencies of the relevant Group entities are as follows:

	2009	2008
	RMB'000	*RMB'000*
USD	**27,100**	61,091
EUR	**35,838**	40,175
PGK	**84,019**	34,022
HKD	**294**	148
Others	**427**	380
	147,678	135,816

As at 31 December 2009, the Group pledged approximately RMB971.69 million (2008: RMB1,756.66 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.36% to 2.25% (2008: range from 1.77% to 4.14%) per annum.

28. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within two months	**2,993,903**	3,160,561
More than two months but within one year	**2,074,818**	1,812,458
Between one and two years	**699,730**	465,274
Between two and three years	**82,174**	123,134
Over three years	**98,558**	43,971
Trade payables	**5,949,183**	5,605,398
Bills payable	**1,543,164**	2,718,783
Provision for share appreciation rights *(Note 41)*	**9,788**	6,910
Amounts due to customers for contract work *(Note 26)*	**86,423**	91,723
Other payables	**6,830,739**	9,600,574
	14,419,297	18,023,388

The carrying amount of trade and other payables approximate to their fair values. Bills payable is aged within six months.

29. BORROWINGS

	2009 RMB'000	2008 RMB'000
Bank borrowings		
— Secured	**2,411,470**	4,410,726
— Unsecured	**36,979,821**	17,356,269
	39,391,291	21,766,995
Bonds *(Note)*	**1,600,000**	3,400,000
Other borrowings from non-financial institutions	**24,635**	80,808
	41,015,926	25,247,803
Analysed for reporting purposes:		
— Non-current	**19,073,005**	7,774,960
— Current	**21,942,921**	17,472,843
	41,015,926	25,247,803

Note: On 6 November 2009, the Company issued short term debentures with an aggregate principal amount of RMB0.60 billion with the maturity of 1 year and a coupon rate 3.5% per annum.

29. BORROWINGS *(CONTINUED)*

The exposure of the fixed rate and variable rate bank borrowings and the contractual maturity dates are as follows:

	2009	2008
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**9,261,621**	7,722,418
Between one and two years	**236,300**	1,037,653
Between two and three years	**1,640,000**	1,054,390
Between three and four years	**184,400**	362,600
Between four and five years	**351,210**	100,000
More than five years	**1,164,000**	—
	12,837,531	10,277,061
Variable rate bank borrowings repayable:		
Within one year	**12,081,300**	7,345,425
Between one and two years	**3,755,320**	2,632,259
Between two and three years	**7,114,500**	521,150
Between three and four years	**1,298,700**	607,100
Between four and five years	**792,590**	160,000
More than five years	**1,511,350**	224,000
	26,553,760	11,489,934

	2009	2008
Effective interest rate per annum:		
Fixed rate borrowings	**3.42% to 6.45%**	3.82% to 7.69%
Variable rate borrowings	**3.63% to 6.24%**	3.99% to 8.40%

The carrying amounts of borrowings approximate to their fair values. Other borrowings are unsecured, non-interest bearing and repayable on demand.

As at 31 December 2009, bank borrowings of approximately RMB566 million (2008: approximately RMB106.47 million) were guaranteed by independent third parties.

The borrowings denominated in EUR and USD of approximately RMB43.01 million and RMB12.66 million respectively (2008: approximately RMB15.68 million and RMB Nil respectively), the remaining balance was denominated in RMB.

30. DEFERRED INCOME TAX

The following are the major deferred income tax (liabilities)/assets recognised and movements thereon during the current and prior years:

	Fair value adjustments on investment	Fair value adjustments on properties	Fair value adjustments on intangible assets	Fair value adjustments on prepaid lease payments	Loss on partial disposal of subsidiaries and associates	Allowances on inventories and trade and other receivables	Impairment for properties	Tax losses	Financial guarantee contracts	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2008	(9,907)	(135,117)	(4,746)	(130,510)	20,909	19,458	67,459	41,756	9,955	5,841	(114,902)
Arising from acquisition of a subsidiaries *(Note 35)*	—	(286,774)	(9,495)	(280,505)	—	21,937	122,965	—	3,976	(825)	(428,721)
Credit/(charge) to the consolidated income statement *(Note 11)*	1,328	14,451	(1,333)	5,622	—	14,486	(3,149)	71,194	(8,501)	(928)	93,170
Effect of change in tax rate *(Note 11)*	—	—	—	—	—	(29)	(164)	—	—	(130)	(323)
As at 31 December 2008 and 1 January 2009	(8,579)	(407,440)	(15,574)	(405,393)	20,909	55,852	187,111	112,950	5,430	3,958	(450,776)
Arising from acquisition of a subsidiaries *(Note 35)*	—	(133,966)	(38,363)	(80,736)	—	7,660	94,456	4,873	—	4,999	(141,077)
Credit/(charge) to the consolidated income statement *(Note 11)*	2,272	(85,788)	(11,781)	250,016	(1,682)	(6,870)	(107,296)	48,136	(1,577)	22,918	108,348
As at 31 December 2009	(6,307)	(627,194)	(65,718)	(236,113)	19,227	56,642	174,271	165,959	3,853	31,875	(483,505)

30. DEFERRED INCOME TAX *(CONTINUED)*

	2009	2008
	RMB'000	*RMB'000*
For presentation purpose:		
Deferred income tax assets	**454,802**	185,234
Deferred income tax liabilities	**(938,307)**	(636,010)
	(483,505)	(450,776)

At the reporting date, the Group has unused tax losses of approximately RMB1,284.56 million (2008: approximately RMB979.92 million) available for offset against future profits, of which, approximately RMB620.73 million (2008: approximately RMB528.12 million) were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2009	2008
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2009	—	48,900
2010	**87,974**	76,755
2011	**69,945**	134,920
2012	**87,787**	198,712
2013	**144,089**	520,630
2014	**894,767**	—
	1,284,562	979,917

31. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2009, certain fixtures and equipment are under finance leases. The average lease term is 5 years (2008: 2 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.41% (2008: 6.54%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**318,648**	48,567	**257,055**	45,126
In more than one year but not more than two years	**313,192**	34,501	**263,516**	32,783
In more than two years but not more than five years	**791,230**	—	**740,140**	—
	1,423,070	83,068	**1,260,711**	77,909
Less: future finance charge	**(162,359)**	(5,159)	**N/A**	N/A
Present value of lease obligations	**1,260,711**	77,909	**1,260,711**	77,909
Less: Amount due for settlement within 12 months			**(257,055)**	(45,126)
			1,003,656	32,783

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

32. FINANCIAL GUARANTEE CONTRACTS

	2009 RMB'000	2008 RMB'000
As at 1 January	**21,720**	38,585
Fair value of guarantee on the date of acquisition of subsidiaries *(Note 35)*	**—**	14,940
Less: Amount released to the consolidated income statement *(Note 7)*	**(6,940)**	(31,805)
As at 31 December	**14,780**	21,720
For presentation purpose:		
Non-current liabilities	**13,140**	15,030
Current liabilities	**1,640**	6,690
	14,780	21,720

Subsidiaries had guaranteed bank borrowings of approximately RMB229 million (2008: approximately RMB328.30 million) for former related parties and third parties. The fair value of the guarantees granted amounting to approximately RMB14.78 million (2008: approximately RMB21.72 million) is recognised as a liability and amortised over the guarantee period of one to ten years as set out in financial guarantee contracts.

33. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	Amount *RMB'000*	Number of shares	Amount *RMB'000*	Total capital *RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2008, 31 December 2008 and 1 January 2009	1,306,404,813	1,306,405	902,083,187	902,083	2,208,488
Issuance of new H shares *(Note c)*	—	—	272,727,273	272,727	272,727
Conversion of Domestic shares into H shares *(Note c)*	(25,827,759)	(25,828)	25,827,759	25,828	—
As at 31 December 2009	1,280,577,054	1,280,577	1,200,638,219	1,200,638	2,481,215

33. SHARE CAPITAL *(CONTINUED)*

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

(c) On 12 February 2009, the Company issued and placed 272,727,273 H Shares of RMB1.00 each at HK$7.85 per share. The gross consideration received by the Company from the issue of these H Shares amounted to HK$2,140,909,000 (equivalent to approximately RMB1,890,059,000). The net proceeds were mainly used for the business development and acquisition of subsidiaries. On the same date, 25,827,759 Domestic Shares were converted into same number of H Shares.

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b), the shares mentioned above rank pari passu in all respects with each other.

34. STATUTORY SURPLUS RESERVE FUND

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries

In the year of 2009, the Group acquired 37 subsidiaries from independent third parties and acquired certain assets through acquisition of subsidiaries. The acquired subsidiary group is principally engaged in the production, storage and sale of gypsum board and cement and providing engineering services.

These acquisitions have been accounted for using the purchase method.

Summary of net assets acquired in the transactions, and the goodwill arising, are as follows:

	2009			2008
	Acquirees' carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*	Fair value *RMB'000*
Net assets acquired:				
Property, plant and equipment *(Note 14)*	**4,593,702**	**354,459**	**4,948,161**	11,199,111
Intangible assets *(Note 18)*	**97,203**	**102,096**	**199,299**	260,818
Investments in associates	**3,336**	**—**	**3,336**	22,492
Prepaid lease payments *(Note 15)*	**431,784**	**382,678**	**814,462**	1,630,744
Available-for-sale financial assets	**24,451**	**—**	**24,451**	500
Deferred income tax assets *(Note 30)*	**64,810**	**47,572**	**112,382**	149,094
Inventories	**669,685**	**874**	**670,559**	946,063
Trade and other receivables	**1,638,133**	**1,738**	**1,639,871**	3,210,096
Amounts due from the related parties	**991,900**	**—**	**991,900**	4,808
Pledged bank deposits	**527,484**	**—**	**527,484**	366,445
Cash and cash equivalents	**888,138**	**—**	**888,138**	846,125
Trade and other payables	**(4,756,500)**	**—**	**(4,756,500)**	(7,703,995)
Current income tax liabilities	**(3,186)**	**—**	**(3,186)**	(51,114)
Dividend payable to minority shareholders	**(12,262)**	**—**	**(12,262)**	(77,600)
Amounts due to the related parties	**(910,900)**	**—**	**(910,900)**	(289,510)
Borrowings	**(2,528,934)**	**—**	**(2,528,934)**	(3,823,135)
Financial guarantee contracts *(Note 32)*	**—**	**—**	**—**	(14,940)
Obligations under finance leases	**(43,875)**	**—**	**(43,875)**	—
Deferred income tax liabilities *(Note 30)*	**(176)**	**(253,283)**	**(253,459)**	(577,815)
Net assets	**1,674,793**	**636,134**	**2,310,927**	6,098,187

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

	2009			2008
	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**	Fair value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Minority interests			**(71,883)**	(437,619)
Interest transferred from associated companies			**(177,722)**	—
Indirect interest held by a subsidiary			**(3,659)**	—
Discount on acquisition of interest in subsidiaries			**(144,655)**	(104,415)
Goodwill *(Note 17)*			**1,683,357**	3,810,730
			3,596,365	9,366,883
Contributed by minority interest shareholders			**(454,788)**	—
Total consideration			**3,141,577**	9,366,883

	2009	2008
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**2,006,528**	4,269,378
Other payables	**1,135,049**	5,097,505
	3,141,577	9,366,883
Net cash outflow arising on acquisition:		
Cash consideration paid	**(2,006,528)**	(4,269,378)
Less: Cash and cash equivalents acquired	**888,138**	846,125
	(1,118,390)	(3,423,253)

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

The goodwill mainly arising on the acquisition of these cement companies is attributable to the benefit of expected revenue growth and future market development in Jiang Xi province and North Region, the PRC and overseas and the synergies in consolidating the Group's cement operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the profit for the year is approximately RMB309.17 million attributable to the additional business generated by these newly acquired companies.

Had these business combinations been effected at 1 January 2009, the revenue of the Group would be approximately RMB35,481.55 million, and profit for the year of the Group would be approximately RMB3,020.52 million. The directors of the Group consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows:

(i) As at 31 December 2009, the Group had completed the acquisition process of the subsidiaries which were originally under the control of 浙江三獅集團有限公司 (Zhejiang Sanshi Group Limited "Sanshi Group") for the consideration of approximately RMB1,008.53 million from independent third party. The acquired subsidiary group is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2009		
	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Net assets acquired:			
Property, plant and equipment	1,477,184	224,496	1,701,680
Intangible assets	66,499	20,270	86,769
Investments in associates	3,336	—	3,336
Prepaid lease payments	105,605	61,912	167,517
Available-for-sale investments	24,451	—	24,451
Deferred income tax assets	18,901	—	18,901
Inventories	146,315	—	146,315
Trade and other receivables	1,129,363	—	1,129,363
Amounts due from related parties	94,211	—	94,211
Pledged bank deposits	362,182	—	362,182
Cash and cash equivalents	573,006	—	573,006
Trade and other payables	(2,323,942)	—	(2,323,942)
Amounts due to related parties	(72,750)	—	(72,750)
Borrowings	(1,269,256)	—	(1,269,256)
Obligations under finance leases	(43,875)	—	(43,875)
Deferred income tax liabilities	—	(76,670)	(76,670)
Net assets	291,230	230,008	521,238

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(i) As at 31 December 2009, the Group had completed the acquisition process of the subsidiaries which were originally under the control of 浙江三獅集團有限公司 (Zhejiang Sanshi Group Limited "Sanshi Group") for the consideration of approximately RMB1,008.53 million from independent third party. The acquired subsidiary group is principally engaged in the production and sale of cement. *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	2009		
	Acquirees' carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Minority interests			(38,543)
Interest transfer from associates			(117,474)
Indirect interest held by a subsidiary			(3,659)
Goodwill			646,969
Total consideration			1,008,531

	2009 *RMB'000*
Total consideration satisfied by:	
Cash	758,066
Other payables	250,465
	1,008,531
Net cash outflow arising on acquisition:	
Cash consideration paid	(758,066)
Less: Cash and cash equivalents acquired	573,006
	(185,060)

Included in the profit for the year is approximately RMB11.32 million attributable to the additional business generated by acquired subsidiaries under Sanshi Group.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(ii) On 1 July 2009, the Group acquired 90% of the equity interests of 南京中聯水泥有限公司 ("Nanjing Central Cement") for consideration of approximately RMB154.26 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2009		
	Acquirees' carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment	221,978	68,787	290,765
Intangible assets	1,466	37,540	39,006
Prepaid lease payments	—	98,686	98,686
Deferred income tax assets	12,525	—	12,525
Inventories	25,594	—	25,594
Trade and other payables	(172,188)	—	(172,188)
Borrowings	(50,000)	—	(50,000)
Deferred income tax liabilities	—	(51,253)	(51,253)
Net assets	39,375	153,760	193,135
Minority interests			(19,313)
Discount on acquisition of subsidiaries			(19,560)
Total consideration			154,262

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(ii) On 1 July 2009, the Group acquired 90% of the equity interests of 南京中聯水泥有限公司 ("Nanjing Central Cement") for consideration of approximately RMB154.26 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	2009 ***RMB'000***
Total consideration satisfied by:	
Cash	78,675
Other payables	75,587
	154,262
Net cash outflow arising on acquisition:	
Cash consideration paid	(78,675)
Less : Cash and cash equivalents acquired	—
	(78,675)

Included in the profit for the year is approximately RMB12.45 million attributable to the additional business generated by the acquired subsidiary.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iii) In the year of 2009, the Group acquired 8 subsidiaries totally by 北方水泥有限公司 ("North Cement"). Due to the capital contribution agreement, 3 subsidiaries were transferred from minority shareholders to the Group as capital injection for the establishment of North Cement. 5 subsidiaries were acquired for a consideration of approximately RMB992.23 million from independent third party. The acquired subsidiaries are principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2009		
	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Net assets acquired:			
Property, plant and equipment	1,892,591	(165,344)	1,727,247
Intangible assets	15,728	(4,336)	11,392
Prepaid lease payments	216,778	30,477	247,255
Deferred income tax assets	1,147	47,572	48,719
Inventories	251,953	—	251,953
Trade and other receivables	255,932	—	255,932
Amount due from related parties	244,069	—	244,069
Pledged bank deposits	50,000	—	50,000
Cash and cash equivalents	65,387	—	65,387
Trade and other payables	(996,359)	—	(996,359)
Current income tax liabilities	(3,186)	—	(3,186)
Amount due to related parties	(421,192)	—	(421,192)
Borrowings	(760,979)	—	(760,979)
Deferred income tax liabilities	—	(12,771)	(12,771)
Net assets	811,869	(104,402)	707,467

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iii) In the year of 2009, the Group acquired 8 subsidiaries totally by 北方水泥有限公司 ("North Cement"). Due to the capital contribution agreement, 3 subsidiaries were transferred from minority shareholders to the Group as capital injection for the establishment of North Cement. 5 subsidiaries were acquired for a consideration of approximately RMB992.23 million from independent third party. The acquired subsidiaries are principally engaged in the production and sale of cement. *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	2009		
	Acquirees' carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Discount on acquisition of subsidiaries			(434)
Goodwill			739,984
Total consideration			1,447,017
Contributed by a minority shareholder *(Note)*			(454,788)
			992,229

	2009 *RMB'000*
Total consideration satisfied by:	
Cash	649,730
Other payables	342,499
	992,229
Net cash outflow arising on acquisition:	
Cash consideration paid	(649,730)
Less: Cash and cash equivalents acquired	65,387
	(584,343)

Note: These represent the acquisition of subsidiaries made by a minority shareholder, being transferred to the Group by way of capital contribution.

Included in the profit for the year is approximately RMB2.55 million attributable to the additional business generated by the acquired subsidiaries.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iv) In the year of 2009, the Group acquired the remaining interest in three of its subsidiaries (i.e. 泰安市金盾有限公司, 泰山石膏(陝西)有限公司, 泰山石膏(雲南)有限公司) from independent third parties for a total consideration of approximately RMB95.79 million. The Group was originally held 35%-40% interest of the acquired subsidiaries as at 31 December 2008. The acquired subsidiaries are principally engaged in the production and sale of gypsum board.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2009		
	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Net assets acquired:			
Property, plant and equipment	82,792	6,321	89,113
Prepaid lease payments	21,731	33,674	55,405
Deferred income tax assets	669	—	669
Inventories	25,986	874	26,860
Trade and other receivables	37,088	1,738	38,826
Cash and cash equivalents	25,549	—	25,549
Trade and other payables	(87,089)	—	(87,089)
Deferred income tax liabilities	(176)	(10,217)	(10,393)
Net assets	106,550	32,390	138,940
Interest transfer from associates			(49,744)
Goodwill			6,594
Total consideration			95,790

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

(iv) In the year of 2009, the Group acquired the remaining interest in three of its subsidiaries (i.e. 泰安市金盾有限公司, 泰山石膏(陝西)有限公司, 泰山石膏(雲南)有限公司) from independent third parties for a total consideration of approximately RMB95.79 million. The Group was originally held 35%-40% interest of the acquired subsidiaries as at 31 December 2008. The acquired subsidiaries are principally engaged in the production and sale of gypsum board. *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	2009 *RMB'000*
Total consideration satisfied by:	
Cash	95,790
Net cash outflow arising on acquisition:	
Cash consideration paid	(95,790)
Less: Cash and cash equivalents acquired	25,549
	(70,241)

Included in the profit for the year is approximately RMB27.82 million attributable to the additional business generated by the acquired subsidiaries.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries

On 10 July 2009, the Group disposed of the entire equity interest in 浙江省三獅集團物資供銷總公司 ("Zhejiang Sanshi Group Supply Company Limited"), a subsidiary of the Group, to 浙江三獅集團有限公司 ("Zhejiang Sanshi Group Limited"), a substantial shareholder of the Group, for a consideration of approximately RMB48.47 million.

(i) Profit for the year generated from the disposal of the above subsidiary comprised:

	2009 *RMB'000*
Gain on disposal of a subsidiary	28,105

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows:

	2009 *RMB'000*
Assets and liabilities disposed of:	
Property, plant and equipment *(Note 14)*	341
Available-for-sale investments	4,840
Inventories	8,052
Trade and other receivables	310,903
Cash and cash equivalents	16,249
Trade and other payables	(270,018)
Borrowings	(50,000)
Net assets disposal of	20,367

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of subsidiaries *(Continued)*

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows: *(Continued)*

	2009 **RMB'000**
Purchase consideration:	
Cash received	20,367
Total consideration	48,472
Less: Net assets disposed of	(20,367)
Gain on disposal of a subsidiary	28,105
Inflow of cash arising from disposal of a subsidiary	
Cash consideration	48,472
Cash and cash equivalents in the disposal of a subsidiary	(16,249)
Other receivables	(32,223)
Net cash inflow from disposal of a subsidiary	—

36. CONTINGENT LIABILITIES

At the reporting date, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	2009 **RMB'000**	2008 RMB'000
Guarantees given to banks in respect of banking facilities utilised by:		
— former related parties	**63,000**	69,000
— facilities utilised by independent third parties	**166,000**	259,300
	229,000	328,300

37. COMMITMENTS

	2009 *RMB'000*	2008 *RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
— Acquisition of property, plant and equipment	**2,108,663**	212,877
— Acquisition of prepaid lease payments	**27,100**	6,500
— Acquisition of subsidiaries	**139,423**	1,074,600

38. OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	2009 *RMB'000*	2008 *RMB'000*
Within one year	**10,375**	14,856
In the second to fifth year inclusive	**34,347**	32,216
Over five years	**39,679**	62,898
	84,401	109,970

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen (2008: fifteen) years and rentals are fixed for an average term of fourteen (2008: fifteen) years.

38. OPERATING LEASE COMMITMENTS *(CONTINUED)*

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**42,798**	42,158
In the second to fifth year inclusive	**149,956**	153,262
Over five years	**366,617**	315,772
	559,371	511,192

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2008: two years to twenty years).

39. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by the Parent Company and has significant transactions and relationships with the Parent Company and its subsidiaries (the "Parent Group"). The Group also has entered into transactions with its associates, over which the Company can exercise significant influence.

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with the Parent Group, associates of the Group and minority shareholders of the Company's subsidiaries

Apart from the amounts due from/(to) related companies as disclosed in Note 25, during the year, the Group had the following transactions with the Parent Company and the Parent Group, the associates of the Group and minority shareholders of the Group's subsidiaries:

	2009	2008
	RMB'000	*RMB'000*
Provision of production supplies to		
— the Parent Group	**78,507**	62,827
— Associates	**18,544**	252,794
— Minority shareholders of subsidiaries	**—**	19,665
	97,051	335,286
Provision of support services to the Parent Group	**3,815**	17,051
Rental income in respect of supply of equipment to		
— the Parent Group	**7,569**	8,953
— Associates	**7,118**	4,561
	14,687	13,514
Rental income received from		
— the Parent Group	**1,047**	—
— Associates	**19,333**	17,442
	20,380	17,442

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with the Parent Group, associates of the Group and minority shareholders of the Company's subsidiaries *(Continued)*

Apart from the amounts due from/(to) related companies as disclosed in Note 25, during the year, the Group had the following transactions with the Parent Company and the Parent Group, the associates of the Group and minority shareholders of the Group's subsidiaries: *(Continued)*

	2009	2008
	RMB'000	*RMB'000*
Licensing of trademarks to the Parent Group	**—**	100
Interest income received from associates	**12,457**	11,127
Supply of raw materials by		
— the Parent Group	**210,421**	131,286
— Associates	**24,168**	141,606
— Minority shareholders of subsidiaries	**15,818**	25,457
	250,407	298,349
Provision of production supplies by		
— the Parent Group	**8,071**	45,453
— Associates	**64,541**	31,775
	72,612	77,228

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with the Parent Group, associates of the Group and minority shareholders of the Company's subsidiaries *(Continued)*

Apart from the amounts due from/(to) related companies as disclosed in Note 25, during the year, the Group had the following transactions with the Parent Company and the Parent Group, the associates of the Group and minority shareholders of the Group's subsidiaries: *(Continued)*

	2009	2008
	RMB'000	*RMB'000*
Provision of support services by		
— the Parent Group	**23,757**	12,825
— Minority shareholders of subsidiaries	**—**	21,328
	23,757	34,153
Supplying of equipment by the Parent Group	**13,755**	23,092
Rental expenses paid to minority shareholders of subsidiaries	**—**	653

(b) Material transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group are hereinafter collectively referred to as "State-Owned Enterprises"). During the year, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a State-Owned Enterprise or not. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Material transactions and balances with other state-owned enterprises in the PRC *(Continued)*

While the directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the year as follows:

(i) Material transactions

	2009	2008
	RMB'000	*RMB'000*
Sales	**1,220,430**	966,348
Purchases	**1,122,390**	167,063
Finance costs	**1,944,504**	1,902,736

(ii) Material balances

	2009	2008
	RMB'000	*RMB'000*
Trade and other receivables	**255,999**	794,312
Trade and other payables	**235,434**	75,466

In addition, the Group has entered into various transactions, including borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

39. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2009	2008
	RMB'000	*RMB'000*
Short-term benefits	**9,641**	5,923
Share-based payments	**1,150**	949
Post-employment benefits	**144**	104
	10,935	6,976

40. EMPLOYEE BENEFITS PLAN

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

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 10.

41. SHARE APPRECIATION RIGHTS PLAN

In order to provide additional incentives to the Group's senior management and to enhance the alignment between the performance of the Group's senior management and shareholder value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights (the "Plan") for the Group's senior management officers, senior experts and specialist who make important contributions to the Group.

Under the Plan, a share appreciation right ("SA Right") represents the right to receive a cash payment equal to the appreciation, if any, in the fair market value of a H share from the date of the grant of the right to the date of exercise.

SA Rights will be granted in units with each unit representing one H share. All SA Rights will have an exercise period of six years from the date of grant. An individual may not exercise his or her SA Rights during the first two years after the date of grant. After two and three years of the date of grant, the total number of SA Rights exercised by an individual may not in aggregate exceed one-third and two-thirds, respectively, of the total SA Rights granted to the individual. After four years of the date of granted, the SA Rights will be fully vested.

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HK$3.50 each unit to the senior management of the Company as follows:

	Units of SA Rights granted
Directors and a supervisor of the Company	2,680,000
Other senior management	3,200,000
	5,880,000

As the SA Rights vest at different amounts until the grantees have completed a specified period of service, the Company recognised the services received and a liability of approximately RMB2.88 million (2008: RMB2.88 million), being the estimated compensation paid for service rendered by the grantee during the year.

According to Guo Zi Fa Fan Pei 2006 No.8, "Trial Method for Share Incentive Scheme of State-controlled Listing Company", the compensation should not exceed 40% of personal total salary and bonus.

42. SUBSEQUENT EVENTS

i On 30 December 2009, the China National Building Material Group Corporation ("the Parent") and Residential Construction Service Centre for Civil Servants of the Central Government Departments ("Residential Construction Service Centre of Central Government") entered into the Land Transfer Agreement ("Land Agreement"). Pursuant to the Land Agreement, the Parent will procure the transfer of the government land use right to the Residential Construction Service of Centre Government. This respective governmental land use rights are originally owned by BNBMG and the Company. The related part from the Company is currently leased to BNBM. The removal plan is expected to be starting from 1 January 2010 to 30 October 2010. The relevant aggregate amount of compensation payable by the Residential Construction Service Centre of Central Government to the Parent for this transfer process is RMB3 billion. Specific details on the distribution of compensation between above relevant parties will be determined in the future.

ii On 6 April 2010, the Company and other parties entered into the Share Issue and Asset Purchase Agreement for the proposed subscription of approximately 154.25 million A shares of China Fiberglass, an associate of the Company, of which the Company proposed to subscribe for approximately 36.2 million shares, and in consideration, the Company and other parties will transfer 11.5% and 37.5% equity interests in Jushi Group Company Limited to China Fiberglass, respectively. As at 31 December 2009, the interest in Jushi Group Company Limited was amounted to RMB441.53 million.