BBMG 金隅

北京金隅股份有限公司
BBMG CORPORATION*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2009

Annual Report 2009

Cement
Modern Building Materials
Property Development
Property Investment & Management

* for identification purposes only

Contents

FINANCIAL HIGHLIGHTS

	2009	2008	Change	
Revenue (RMB'000)	**11,701,087**	8,550,656	3,150,431	36.8%
Gross profit (RMB'000)	**3,259,189**	2,112,011	1,147,178	54.3%
Gross profit margin (%)	**27.9**	24.7	–	3.2%
Profit attributable to owners of the Company (RMB'000)	**2,035,388**	1,320,816	714,572	54.1%
Basic EPS (RMB)	**0.63**	0.59	0.04	6.8%
Final dividend per Share (RMB)	**0.07**	0.04	0.03	75%
Cash and cash equivalents (RMB'000)	**5,499,609**	1,881,897	3,617,712	192.2%
Total assets (RMB'000)	**35,456,664**	25,392,641	10,064,023	39.6%
Net assets (RMB'000)	**16,484,366**	8,174,229	8,310,137	101.7%
Net profit margin (%)	**17.4**	15.4	–	2.0%
Return on total assets (%)	**5.7**	5.2	–	0.5%
Net assets per Share (RMB)	**3.86**	2.62	1.24	47.3%

CORPORATE INFORMATION

Chinese name of the Company	北京金隅股份有限公司
English name of the Company	BBMG Corporation
Headquarters	Tower D, Global Trade Centre No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Principal place of business in Hong Kong	Room 904, Wah Ying Cheong Central Building 158 – 164 Queen's Road, Central, Hong Kong
Website of the Company	www.bbmg.com.cn
Legal representative	Jiang Weiping
The Board	
Executive Directors	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(President)* Shi Xijun Wang Hongjun Deng Guangjun
Non-executive Director	Zhou Yuxian
Independent non-executive Directors	Hu Zhaoguang Xu Yongmo Zhang Chengfu Yip Wai Ming
Supervisors	Wang Xiaoqun Chen Changying Hu Jingshan Zhang Jie Hong Ye Fan Xiaolan Wang Youbin

Committees

Audit Committee	Zhang Chengfu *(Chairman)* Hu Zhaoguang Xu Yongmo Zhou Yuxian Yip Wai Ming
Remuneration and Nomination Committee	Jiang Weiping *(Chairman)* Shi Xijun *(Vice Chairman)* Hu Zhaoguang Zhang Chengfu Xu Yongmo
Strategic Committee	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(Vice Chairman)* Wang Hongjun Deng Guangjun Hu Zhaoguang Zhang Chengfu Xu Yongmo
Authorised representatives	Wang Hongjun Wu Xiangyong
Joint company secretaries	Wu Xiangyong Lau Fai Lawrence
Qualified accountant	Lau Fai Lawrence
H Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong

Place of listing	The Stock Exchange of Hong Kong Limited
Stock code	02009.HK
Principal bankers	Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd. Bank of Beijing Co., Ltd. China Construction Bank Corporation
Independent auditors	Ernst & Young Certified Public Accountants *As international auditors* Beijing Xinghua Certified Public Accountants *As domestic auditors*
Compliance adviser	Cinda International Capital Limited
Legal adviser	Paul, Hastings, Janofsky & Walker *As to Hong Kong law* Haiwen & Partners *As to PRC law*

CORPORATE PROFILE

BBMG Corporation

BBMG Corporation and its subsidiaries is one of the largest building materials manufacturers in the PRC and the largest in the Beijing-Bohai Gulf Region. The Group is also a large-scale property investment and management company and leading property developer in Beijing. The Group has a portfolio of over 100 subsidiaries grouped into four segments: cement, modern building materials, property development and property investment and management. The Group holds the following market positions:

1. Cement

In 2009, the Group was the largest cement supplier in the area comprising Beijing, Tianjin and Hebei Province, according to the China Cement Association, with the Group alone supplying more than 40% of the market share in Beijing by sales volume, according to the Beijing Cement Industry Association.

2. Modern building materials

In 2009, the Group was one of the largest modern building materials manufacturers in Beijing. The Group manufactures and distributes a broad spectrum of modern building materials, including furniture, mineral wool acoustic boards, wall body materials and refractory materials, and occupies a leading position in many of these markets.

3. Property development

The Group is one of the largest property development companies in Beijing and has a long history of developing properties (having developed over five million square meters of GFA since 1987), with many of the properties developed or under development located at prime locations throughout Beijing, Hangzhou, Tianjin and Huhhot including office buildings, commodity housing and affordable housing. The Group was the largest developer of affordable housing in Beijing in terms of the number of projects, as certified by the Beijing Real Estate Association in 2008.

4. Property investment and management

The Group is a large-scale investor and manager of mid-market to high-end properties in Beijing. The Group primarily invests in and manages self-developed property. The Group invests in offices, commercial spaces and parking spaces. As at 31 December 2009, the Group's investment properties had an aggregate GFA of approximately 601,000 sq.m. The Group also managed over one million square meters of high-end investment properties and other types of properties in Beijing as at 31 December 2009.

CORPORATE STRUCTURE

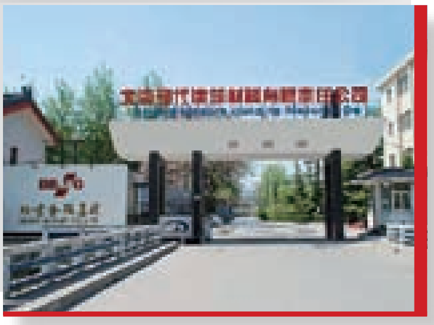
Cement

Property Development

BBMG 金隅

北京金隅股份有限公司
BBMG CORPORATION*

Property Investment & Management



Modern Building Materials

MAJOR EVENTS
SINCE LISTING

29 July 2009	The Company was successfully listed on the Main Board of the Stock Exchange
	Exercise of over-allotment option
28 August 2009	Publication of interim results announcement of the Group for the six months ended 30 June 2009
30 August 2009	Execution of a memorandum of understanding in relation to the proposed acquisition of 60.64% equity interest in Zhenxing Cement
30 September 2009	Execution of an agreement to dispose of 50% equity interest in Tianjin Jinjian
11 October 2009	Execution of two strategic cooperation agreements with Beijing Fangshan People's Government and China Haohua, respectively
11 November 2009	The Company was selected as a constituent stock of MSCI China Index with effect from 30 November 2009
6 December 2009	Execution of a co-operation agreement with Bank of Communications (Beijing Branch) in relation to a RMB15 billion standing banking facility
8 December 2009	Execution of a co-operation agreement with Bank of Beijing in relation to a RMB16 billion standing banking facility
24 December 2009	Execution of an agreement to acquire 13.38% equity interest in Dingxin Cement
30 December 2009	Establishment of Siping BBMG with Siping Haohua with a shareholding ratio of 52%:48%
31 December 2009	Execution of an agreement to acquire a further 1.54% equity interest in Dingxin Cement

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Jiang Weiping, born on October 1954, has been the chairman of the Board of the Company since 6 August 2008 and an executive Director of the Company since 20 September 2007. He was the general manager of the Company from September 2007 to April 2009. He is primarily responsible for leading the Board and presiding over the administration of the Company. He joined the Company in March 2006 as a deputy general manager. Prior to joining the Company, Mr. Jiang served with the Parent from August 1979 with various senior positions. He served as the deputy general manager of the Parent, including its predecessors Beijing Building Material Group Corporation and Beijing Building Material Group Co., Ltd., from March 1994 to August 2007 and as the general manager of the Parent from August 2007 to June 2008. In May 2008, Mr. Jiang took up his current position as the Parent's chairman and secretary of the communist party committee of the Parent. Mr. Jiang has accumulated more than 29 years of experience in the building materials industry in the PRC. He was the vice-mayor of Tongliao City, Inner Mongolia, from June 2002 to June 2003. Mr. Jiang graduated in 1998 from the graduate school of Beijing Administrative College and is a senior economist.

Li Changli, born on February 1964, has been an executive Director and the vice chairman of the Board of the Company since 6 August 2008 and 28 April 2009, respectively. He was also a deputy general manager of the Company from September 2007 to April 2009. The primary responsibility of Mr. Li is to formulate development strategies, plan for mid- and long-term projects and implement the strategies of the Company, as well as to undertake other duties in relation to commerce, trade and logistics management. He joined the Company in September 2007 as a deputy general manager. Mr. Li has also served as the general manager and a director of the Parent since June 2008 and May 2008, respectively. Mr. Li has accumulated more than 28 years of experience in the building materials industry in the PRC. Mr. Li graduated from Guanghua School of Management, Peking University in July 2006 with a master's degree in business administration and is an economist.

Jiang Deyi, born on February 1964, has been an executive Director and the president of the Company since 28 April 2009. He was a deputy general manager of the Company from March 2006 to April 2009. He is primarily responsible for the overall management of the cement, concrete and resorts businesses of the Company and the formulation of development strategies for these business sectors. Mr. Jiang acted as a general manager assistant of the Parent from April 2004 to January 2008. Mr. Jiang has more than 22 years of experience in the cement industry. Since 21 May 2007, Mr. Jiang has also served as the chairman of Taihang Cement. Mr. Jiang has been the chairman of Dingxin Cement since March 2007 and a director of Xinbeishui since December 2006. Mr. Jiang graduated from Northern Jiaotong University (now known as Beijing Jiaotong University) with a master's degree in business administration in April 2001. He is a senior engineer.

Shi Xijun, born on September 1966, has been an executive Director of the Company since 10 March 2006. He was also the Board secretary from March 2006 to April 2009. He is primarily responsible for the day to day work of the Board and the administration of the Group's human resources department. Mr. Shi first joined the Parent in August 1995 and, from September 2000 to August 2003, served as a manager of its production operation department. Mr. Shi has also served as a director of the organizing department, a member of the communist party committee and the secretary of the discipline inspection committee for the Parent since August 2003, July 2005 and November 2008, respectively. Mr. Shi has accumulated more than 13 years of experience in the building materials industry. Mr. Shi graduated in 1995 from the China University of Mining and Technology with a master's degree in engineering. He is an economist.

Wang Hongjun, born on March 1969, has been an executive Director of the Company since 28 April 2009. He has also been the chief financial officer of the Company since September 2007, and is primarily responsible for general financial management, capital operations and audit matters. Mr. Wang served as the general accountant for the Parent from July 2007 to May 2009. Mr. Wang has more than 16 years of experience in the financial and accounting industry. Mr. Wang has served as a standing deputy manager, a manager of the finance and capital department and a deputy general accountant of the Parent since March 2002, and as the head of the finance and capital department of the Company since March 2006. Since May 2007, Mr. Wang has been a director of Taihang Cement. Mr. Wang graduated from Lanzhou University of Finance and Economics in July 1992 with a bachelor's degree in accounting. He is a senior accountant and has obtained the qualifications for PRC Certified Public Accountants.

Deng Guangjun, born on April 1952, has been an executive Director of the Company since 30 March 2010. He also acts as a vice president of the Company. He is primarily responsible for overall management of feasibility studies and review of investment projects, general matters in relation to technology management and research and development. Mr. Deng served as the chief engineer of the Company from March 2006 to April 2009. Mr. Deng has more than 26 years of experience in the building materials industry. Mr. Deng has served with the Parent as a deputy chief engineer since February 2002, a manager of the science and technology department since September 2002 and a manager of strategy and development department since January 2005. Mr. Deng graduated in September 1977 from Wuhan Building Materials College (now known as Wuhan University of Technology), where he majored in products in the department of silicon industry.

Zhou Yuxian, born on April 1963, has been a non-executive Director of the Company since 21 December 2005. Mr. Zhou has been a deputy general manager of China National Materials Group Corporation since October 2000 and an executive director and the president of Sinoma since March 2009. He served as a non-executive director of Sinoma from July 2007 to March 2009. Mr. Zhou has extensive experience in the building materials industry. Since 6 December 2001, Mr. Zhou has been a director of Sinoma Science & Technology Co., Ltd., an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 002080). He has also been a director of Ningxia Saima Industrial Co., Ltd., an A-share company listed on the Shanghai Stock Exchange (Stock Code: 600449), since 19 December 2008. Since April 1997, Mr. Zhou had been responsible for the work of Research Institute of Non-Metallic Minerals of State Building Materials Industry Bureau. Mr. Zhou has been a director of Taishan Fiberglass Inc. since 21 December 2005. He has also been a director of Sinoma Advanced Materials Co., Ltd. and a director of Sinoma Jinjing Fiber Glass Co., Ltd. since February 2004 and October 2006, respectively. Mr. Zhou graduated in July 2004 from Wuhan University of Technology with a master's degree in engineering. He is also a senior engineer.

Hu Zhaoguang, born on March 1939, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Hu has extensive experience in corporate management and has authored publications in academic journals. Mr. Hu has been the chairman of the audit committee and an independent non-executive director of Digital China Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 861), since August 2006 and September 2004, respectively. He currently serves as a vice president of China Senior Professor Association. Mr. Hu had also served as the chairman of the board of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 392), the chairman of the board of Beijing Holdings Limited, an independent non-executive director of China Overseas Land & Investment Ltd., a listed company on the Main Board of the Stock Exchange (Stock Code: 688) and the vice-mayor of Beijing City. Mr. Hu graduated from Tsinghua University in 1965.

Xu Yongmo, born on April 1956, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Xu has extensive experience in the building materials industry. Mr. Xu has been an independent director of Sinoma Science & Technology Co., Ltd. since 27 December 2004. Besides, he is currently the full-time vice president of China Building Material Council, the president of China Cement Products Industry Association, the president of China Building Block Association, and the vice president of China Cement Association. The duties of Mr. Xu at the China Cement Association are to provide advice and suggestions regarding the work of the China Cement Association and to attend important meetings of the same association. Mr. Xu graduated in 1997 from London South Bank University with a doctorial degree in philosophy majoring in civil engineering materials.

Zhang Chengfu, born on April 1963, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Zhang has extensive experience in public administration research. Mr. Zhang is currently a deputy dean of the School of Public Administration, a director of Government Administration and Reform Research Centre and a director of the Crisis Management Research Centre of Renmin University of China, as well as a delegate of the Chinese People's Political Consultative Conference of Beijing City. Mr. Zhang graduated in July 1999 from Renmin University of China, and holds a doctorial degree in law. He is also an instructor for doctorial degree candidates and a professor at Renmin University of China.

Yip Wai Ming, born on April 1965, has been an independent non-executive Director of the Company since 28 April 2009. Mr. Yip has over 20 years of experience in accounting and corporate finance in the United Kingdom, Hong Kong and China. Mr. Yip has also been an independent non-executive director of Ju Teng International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3336) since 25 May 2006. Mr. Yip served as the chief financial officer of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 1169) from 2004 to 2009 and is currently the deputy general manager of Yuzhou Properties Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1628). Mr. Yip graduated in 1987 from the University of Hong Kong with a bachelor degree in social sciences. He also holds a bachelor degree in laws from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants, respectively.

Supervisors

Wang Xiaoqun, born on October 1948, is the chairman of the Supervisory Board of the Company. He was appointed to the Supervisory Board and elected to be the chairman of the same on 21 December 2005. Mr. Wang was a deputy general manager of the Parent from March 2002 to February 2009. He has been a director and the chairman of Xinbeishui since December 2006. Mr. Wang has been a director of Beijing Cement Plant Co., Ltd. since 28 July 2006 and has been its chairman since 1 August 2006. Mr. Wang is a senior economist who graduated from Beijing Economics College (currently known as Capital University of Economics and Business) in 1982 with a bachelor degree in labour economics.

Chen Changying, born on May 1969, has been a Supervisor of the Company since 6 August 2008. Mr. Chen was an executive director and the chief executive officer of Hopson Development Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 754), from 10 December 2003 and 17 January 2008, respectively, to 21 January 2010. Mr. Chen graduated from Zhengzhou College of Technology with a master's degree in engineering in 1993.

Hu Jingshan, born on March 1959, has been a Supervisor of the Company since 6 August 2008. Mr. Hu has served as a director, the general manager and vice secretary of the communist party committee of Tianjin Building Materials (Holding) Co., Ltd. since August 2003. He has also been a director and the chairman of Zhenxing Cement since January 2004. Since March 1994, he has been the office chief of the communist party committee, the head of the development department, the office chief and deputy general manager of Tianjin Building Materials Group Co., Ltd., a predecessor of Tianjin Building Materials (Holding) Co., Ltd. Mr. Hu is a senior engineer who graduated from Tianjin University in June 1998 with master's degree in business administration.

Zhang Jie, born on March 1970, has been a Supervisor of the Company since 6 August 2008. Mr. Zhang has been an executive director of New Horizon (Beijing) Capital Advisors Ltd. since 1 September 2006. Mr. Zhang served as a supervisor of Sichuan Meifeng Chemical Industry Co., Ltd., an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 000731) from 16 November 2006 to 11 January 2009. He has been appointed as a director of Sichuan Meifeng Chemical Industry Co., Ltd. since 12 January 2009. He has also been a director of Tangshan Tianhe Titanium Industry Co. Ltd since August 2007. He has obtained the qualifications for PRC lawyers.

Hong Ye, born on March 1970, has been a Supervisor of the Company since 6 August 2008. Ms. Hong has been a director of Beijing Zizhu Pharmaceutical Co., Ltd., Beijing Eastern Petrochemical Co., Ltd. and Beijing Light Industry Snowflower Electrical Apparatus Co., Ltd. since September 2000, December 2002 and April 2005, respectively. Ms. Hong has been a supervisor of Xinbeishui and Beijing SevenStar Science & Technology Co., Ltd. since 1 December 2006 and 18 April 2007, respectively. Ms. Hong has served as a senior deputy manager for Business Department I of China Cinda (Beijing Office) since June 2006. She served as a supervisor of Beijing Huaer Co., Ltd. (now known as Guoyuan Securities Co., Ltd.), an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 000728), from 29 June 2006 to 25 October 2007. She joined the Asset Management Department of China Cinda (Beijing Office) in August 1999. Ms. Hong obtained her master's degree in enterprise administration from the University of International Business and Economics in June 2005.

Fan Xiaolan, born on September 1954, has been a Supervisor of the Company since 21 December 2005. Ms. Fan has been the secretary of the communist party committee for the headquarters of the Parent since July 2004. Since February 1992, Ms. Fan has been an officer and the chief of the female workers committee and vice chairperson of the labour union of General Corporation of Beijing Building Material Group, another predecessor of the Parent. From March 2004 to July 2004, she served as a vice secretary of the communist party committee for the headquarters of the Parent. Ms. Fan graduated in July 2002 from Communist Party of China Beijing Municipal Committee Party School, where she majored in law.

Wang Youbin, born on August 1952, has been a Supervisor of the Company since 21 December 2005. Mr. Wang has been an executive director and a manager of Beijing Xiang Brand Walling Materials Co., Ltd. since 12 September 2006. Since November 1984, Mr. Wang had been the deputy factory director of Beijing No.2 Concrete Product Plant. He had also been a factory director of Beijing No.1 Concrete Product Plant (now known as Beijing Xiang Brand Walling Materials Co., Ltd.) and the general manager of Beijing Sanchong Mirrors Co., Ltd. since June 1991 and January 2002, respectively. Mr. Wang graduated in January 1989 from Beijing Economics Correspondence University (now known as Beijing Economics & Management Correspondence Institute), where he majored in economic administration. He is a senior engineer.

Senior Management

Guo Yanming, born on January 1962, is a vice president of the Company. He is primarily responsible for the overall operation and development of the modern building materials segment and production safety control. Mr. Guo served as the Company's general economist from March 2006 to April 2009. Mr. Guo has accumulated more than 23 years of experience in corporate management and human resources in the building materials industry. Since June 2003, Mr. Guo had been a general manager assistant for the Parent. Mr. Guo graduated in July 1985 from Beijing Economics College (currently known as the Beijing Capital University of Economics and Business), where he majored in industrial enterprise administration. He is a senior economist.

Wu Xiangyong, born on August 1973, is the Board secretary and a joint company secretary of the Company. He was appointed as a joint company secretary of the Company on 28 April 2009. Mr. Wu has been appointed as the head of the administrative office of the Company in March 2006. He has also been the director of the department of Board affairs of the Company since February 2008. Since January 2005, after joining the Parent in August 1995, Mr. Wu has been the head of the administrative office of the Parent. From November 1997 to March 1999, he served as a manager assistant of the technology department of the Parent. From March 1999 to January 2005, he served as a deputy head and then the head of the information centre of the Parent. Mr. Wu graduated from the Guanghua School of Management of Peking University with a master's degree in business administration in July 2006. Mr. Wu is an engineer.

Wang Shizhong, born on October 1969, is a vice president of the Company, has served as chief of the property development segment of the Company and an assistant to the general manager of the Parent since February 2008. Mr. Wang has more than 16 years of extensive experience in property development, and served as a deputy manager of a property development company of the Parent from November 1996. He was the secretary of the communist party committee and a deputy manager of a property development company of the Parent from February 1999 to March 2006, and was appointed as an assistant to the general manager of the Company in March 2006. He is mainly responsible for the overall business development and strategic planning for the property operations of the Group. He graduated from Tsinghua University majoring in civil engineering. He is a senior engineer.

Li Weidong, born on June 1968, is a vice president of the Company, has served as chief of the real estate division of the Company and a manager of BBMG Property Management Co., Ltd. since February 2008. Mr. Li also serves as an assistant to the general manager of the Parent. He has accumulated more than 19 years of work experience in the cement and property sectors. He had worked for more than 15 years at Beijing Yanshan Cement Factory. He was a manager of Beijing Yanshan Cement Factory from November 2002 to March 2006. He was appointed as chief of the real estate division of the Company and a manager of Tengda Plaza (騰達大廈) in March 2006. He is mainly responsible for the overall business development, planning and management of investment properties of the Group. He graduated from the Beijing Institute of Technology majoring in business administration. He is an engineer.

Fu Qiutao, born on June 1970, is a vice president of the Company, has served as a manager of Xinbeishui, BBMG Mangrove Environmental and BBMG Fengshan Hot Spring Resort Co., Ltd., all of which are subsidiaries of the Company, since February 2008. Mr. Fu also serves as an assistant to the general manager of the Parent. Mr. Fu has worked in the building materials industry for over 17 years, and has worked in Beijing Cement Plant Co., Ltd. for more than 13 years. He was a manager of Beijing Cement Plant Co., Ltd. from December 2003 to July 2005. He was appointed as a manager of Xinbeishui and BBMG Fengshan Hot Spring Resort Co., Ltd. in July 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from the Sichuan Institute of Building Materials majoring in mining. He is a senior economist.

Wang Zhaojia, born on September 1963, is a vice president of the Company, has served as a president, the deputy secretary of the communist party committee and a director of Beijing Building Materials Research Institute, a subsidiary of the Company, from March 2006. Mr. Wang also serves as a deputy chief engineer of the Parent. He has worked in the building materials industry for more than 20 years. He served as a vice president of the Beijing Building Materials Research Institute from April 1994 and was promoted to president in September 2001. He was appointed as a deputy chief engineer of the Parent in January 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from Shanxi University majoring in inorganic chemistry. He is a master degree graduate and a professorate senior engineer.

Liu Wenyan, born on June 1967, is a vice president of the Company, has served as a manager and deputy secretary of Dingxin Cement from March 2007. Mr. Liu has more than 20 years of extensive experience in the cement industry and served as a deputy manager of Liulihe Cement from February 2004 to March 2007. He is mainly responsible for the overall business development, planning and management of the cement operations of the Company. He graduated from the Materials Faculty of the Beijing Polytechnic University majoring in materials engineering. He is a master degree graduate and a senior engineer.

Jiang Weiping
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual report of the Group for the year ended 31 December 2009 and the satisfactory operating results for the year ended 31 December 2009.

In 2009, the global economy was adversely affected by the global financial crisis resulted from the subprime mortgage meltdown in the United States. It was also the most difficult year for the PRC economy in the new century. The PRC government has implemented and continued to improve a package of plans with an aim to tackle the global financial crisis and promote the domestic economic development, which has reversed a sliding economy, and the PRC economy took the lead in making a recovery in 2009 and is moving steadily towards a favorable direction. Driven by the economic stimulus package, the proactive financial policy and the loose monetary policy launched by the PRC government, domestic demand has gradually picked up in the second half of 2009. There was a significant increase in demand for cement and building materials, and a fast pick-up in the property sector with the support of a number of key infrastructure projects such as high-speed railways, airports, highways and urbanized constructions. According to the statistical information of the National Bureau of Statistics, China's economy grew by 8.7% in 2009 and the fourth quarter growth alone surged to 10.7% on an annualized basis and nationwide fixed-asset investment rose by 30.1% year-on-year in 2009 to RMB22.4846 trillion.

In the midst of a challenging global economic environment as well as a complex and volatile economy in the PRC and overseas at the time, the Board capitalized on development opportunities accurately, coped with the changes in the situation proactively, worked out development strategies in a scientific manner, adopted effective business plans, leveraged on the Group's strengths in strategic planning, industrial chain, management integration, technology and branding, expanded the target markets of the Group aggressively, strengthened the regional resources integration and enhanced the management standards and efficiency of operation to maintain a steady, fast and sound development in the business performance of the Group so that the Group has achieved sound growth in its principal businesses. Meanwhile, the Company fully capitalized on a favourable capital market opportunity by successfully launching and completing an initial public offering and listing of the H Shares of the Company on the Main Board of the Stock Exchange on 29 July 2009. On behalf of the Board, I hereby would like to express my sincere thanks to all of the investors and to all the Shareholders for their care and support to the business development of the Company.

During the Reporting Period, under the Hong Kong Financial Reporting Standards, the Group's revenue amounted to approximately RMB11,701.1 million, an increase of approximately 36.8% year-on-year; profit after tax for the year was approximately RMB2,115.1 million, an increase of approximately 52.6% year-on-year; profit attributable to the owners of the Company was approximately RMB2,035.4 million, an increase of approximately 54.1% year-on-year; and earnings per Share attributable to the owners of the Company were approximately RMB0.63.

The Board has proposed to pay a final dividend of RMB0.07 per Share (tax included) in cash.

Cement and Ready-mixed Concrete

In 2009, the PRC government stepped up its control over the reorganisation and excess capacity of the cement industry. Eliminating production capacity by using obsolete technologies, continuously enforcing energy conservation and environmental protection policies as well as lifting the entry barrier of the cement industry, the PRC government further guided the cement industry to grow in a sound and orderly manner, thereby creating a favorable opportunity for the development of the cement operations of the Group.

Being one of the largest cement enterprises in the Beijing-Bohai Gulf Region, the Group has fully capitalized on the market opportunities arising from the State's package of economic stimulus plans and expansion program for infrastructure construction by persistently adopting "grand cross-shape" strategy (大十字戰略佈局) for Beijing, Tianjin and Hebei Province, stepping up the integration of regional resources, mergers and acquisitions and reorganisation as well as market development so that the control and competitiveness of the Group in the mega-regional market were enhanced substantially.

Firstly, the Company accelerated the planning for key projects. New expansion projects such as Dingxin Cement's new production line with a daily output of 5,000 tonnes of clinkers and Zanhuang Cement's grinding station with an annual output of 1 million tonnes of powers commenced operation smoothly. As at the end of 2009, the Company achieved a total cement production capacity of 16.33 million tonnes, which further enhanced the Group's control and competitiveness in the regional markets in Beijing, Tianjin and Hebei Province. The Group's concrete operations have helped speed up its market development in Beijing, Tianjin, Hebei Province and other related key regions, and achieved a rapid growth.

Secondly, the Company strengthened the control of strategic resources such as quality limestone mines and increased limestone reserves by 177 million tonnes through mergers and acquisitions and reorganisation. As at the end of 2009, the limestone resources and reserves actually under the control of the Company reached 550 million tonnes. This has offered a reliable assurance to improving the cement business performance and sustainable development of the Group.

Thirdly, the Company seized the favorable opportunity in the market and successfully won the tenders for 28 railway and expressway projects such as the Beijing-Shijiazhuang railway, Beijing-Shanghai railway, Zhangjiajie-Chengde railway and Beijing-Chengde railway, a number of underground railway projects in Beijing and the South-North Water Transmission Project. During the Reporting Period, total sales volume of cement was approximately 13.88 million tonnes, an increase of approximately 3.48 million tonnes year-on-year; sales volume of commercial concrete was approximately 2.90 million cubic meters, an increase of approximately 0.65 million cubic meters year-on-year; revenue for the cement sector was approximately RMB4,608.3 million, an increase of approximately 39.0% year-on-year.

Fourthly, the Company strengthened the first-mover advantages in the development of a circular economy for the Company's cement operations, and innovated a profit model for the cement operations. The first demonstration production line in China, set up based upon the Company's independent research and development, for the treatment of municipal domestic sludge by means of harmless and recycling cement kilns commenced operation successfully. Its annual processing capacity reached a quarter of the total domestic sludge in Beijing. A pilot production line in China, set up based upon the Company's independent research, development and design, for the treatment of residue ashes after incineration of solid wastes by means of harmless cement kilns has commissioned a test run. This has created a new profit model for the cement industry, and achieved the coordination of economic, social and ecological benefits.

Modern Building Materials

During the Reporting Period, the Group has effectively overcome the effect of a scant overseas demand due to the financial crisis such that the modern building materials segment achieved a steady and relatively fast growth, further demonstrating the advantages in the "industrial park-based" (園區化) development.

Firstly, the Group further stepped up the investment in and the construction of the projects with promising market outlook and high return. Tongda Refractory's technological transformation project for the production lines with an annual output of 50,000 tonnes of high-grade refractory products was put in operation, and the base with an annual output of 150,000 tonnes of refractory raw materials commenced operation smoothly. On 16 November 2009, Tongda Refractory was accredited as a State-level Corporate Technical Center (國家級企業技術中心) with its high-standard and cutting-edge technologies as well as research and development capabilities.

Secondly, the Company accelerated the integration process for similar industrial resources by completing the integration of the aerated concrete operations and the paint operations such that economic benefits and competitiveness were improved significantly.

Thirdly, the Company adopted the "unified planning, construction in stages" (統一規劃、分步建設) approach to establish the Jinyu Industrial Park, a mega plant with an area of more than 1,000 acres, which provides systematic and high quality services for the enterprises in the park by leveraging on its advantages such as according to speedy construction, low comprehensive costs, integrated supporting facilities and professional management as well as its endeavours to successfully obtain the support from the local preferential policies. The first batch of enterprises in the park have set up 15,000 tonne-glass wool production lines and 25 million cubic meter-mineral wool board production lines which have officially been put in operation.

Fourthly, the Group progressed with an integrated sales model and opened up the market for key projects progressively. The Group won the tenders for a number of projects like the National Museum, Beijing-Baotou Tunnel, National Convention Centre, a number of underground railway stations in Beijing and the tower in Jinmen, Tianjin, with the Group's principal products like Tiantan furniture, Star mineral wool boards, dry mixed mortars, paints and glass wools, achieving a rapid growth in sales.

Property Development

During the Reporting Period, the Company's property development segment continued to adhere to the business strategy for adjusting the "two structures" (兩個結構) and "accelerating cash flow" (好水快流), and achieved outstanding results.

Firstly, by further adjusting the portfolio of development projects and land reserves, and continuing to carry out fast development, fast construction, fast sales and other measures, the Group accelerated project commencement, construction progress and land reserves when the property market was sluggish in the first half of 2009, and took the lead and captured the chance in the rebounding property market. Projects like BBMG7090, Jinyu Guanlan Times, Jinyu Kele+, Jinyu Vanke City and Jinyu Times City were generally sold out; the sales benchmark of affordable housing projects like Jinyu Meiheyuan and Jinyu Lijingyuan were over 80%.

Secondly, by adopting the cycle-aversion (規避週期式) business strategy, the Group focused on the planning for first-tier cities like Beijing, Tianjin and Hangzhou so that the Group reaped fruitful results from land reserves. From 2009 to early 2010, the Company acquired 6 land plots from the Group's proprietary market transactions and 4 land plots from its non-proprietary market transactions, bringing additional land reserves of 1.798 million sq.m. As at 31 March 2010, the Company had land reserves of approximately 5.59 million sq.m.

Property Investment and Management

As the property investment and management operations were being further integrated, their economies of scale were further demonstrated so that this segment saw a steady increase in rents and profits and continued to maintain a high occupancy rate and profit level.

Firstly, the property areas held by the Group continued to increase and the scale of operation and competitiveness were further improved. In 2009, there was an additional property area of 65,000 sq.m. upon the commencement of operation of Phase 3 of the Global Trade Center, bringing the total area of investment properties to 601,000 sq.m. After the Company acquired the Office Tower Project of Dacheng International Center in early 2010, the area of investment properties has increased by 58,000 sq.m.. The office tower of Dacheng International Center is located at the eastern section of the Fourth Ring Road in Beijing, which is a favourable geographical location and has room for substantial value appreciation.

Secondly, the Group consolidated and expanded client resources for further enhancement of the Group's good brand and market image in the property operations through effective promotion and marketing strategies. By offering comprehensive facilities and excellent services, the Global Trade Center has attracted some international large corporations like Intel, Dentsu Inc., Deutsche Telekom AG and FAW-Audi to take occupancy. The Company's high-end property management has won the award of "Brand Enterprise for Golden Services in China's Property Sector" ("中國物業行業金牌服務品牌企業"). Fengshan Hotspring Resort, being the only hot spring in northern China so selected, was rated by overseas media as one of the "Top Ten Carefully Selected Hot Springs in China" ("中國嚴選十大溫泉").

Prospects

According to the forecasts by certain major international economic organizations, the global economy is anticipated to pick up gradually, while the PRC economy will continue to maintain a fast growth. At the same time, as the impact of the financial crisis lingers, China's macro economy is still subject to changes and ongoing adjustments. 2010 will be a year mixed with opportunities and challenges.

In 2010, the Group will go with macro policy adjustments, cope with changes in the economic situation, capitalize on new opportunities, continue to step up industrial planning and business development for the mega-regional market, expand the scale of operation, make use of synergies and enhance the strength to withstand economic fluctuations for overall promotion of the strong development of the Company.

With respect to the cement and ready-mixed concrete segment, while the Company will further improve the "grand cross-shape" strategy (大十字戰略佈局) for Beijing, Tianjin and Hebei Province, it will undertake competitive planning in selected regions with resources advantages by accelerating the pace of mergers and acquisitions and reorganisation of the cement industry and constructing new, renovating or expanding cement projects so as to enhance regional market coverage and market share and to take development leadership in active competition. The Company will speed up the possession of scarce resources by consolidating strategic foundations and increasing the control of strategic resources in Beijing, Tianjin, Hebei Province and other regions for laying a solid foundation for the sustainable development of the cement industry. The Company will further expand the new "low-carbon and circular economy" (低炭經濟和循環經濟) development mode for the cement industry by utilizing the advantages in power generation from residue heat, treatment of municipal sludge and industrial wastes to reduce operating costs and enhance production added-value. The Company will strengthen the new model of strategic cooperation in the core business by strengthening cooperation and synergic development with China Haohua, Datang International Power Generation Co., Ltd. and other strategic partners across industries for sharing resources and complementing advantages to expand the Company's cement business development.

With respect to the modern building materials segment, the Company will continue to carry out the "industrial park-based" (園區化) development approach by increasing industrial concentration during the acceleration of structural adjustment for further enhancement of core competitiveness. By closely accommodating to the positioning of Beijing for metropolitan-based industrial development planning, the Company will speed up technological innovations and industrial upgrades, and constantly consolidate the foundations of the Group for metropolitan-based industrial development. The Company will continue to step up and deepen the integration of resources of similar industries for optimizing assets, centralize production capacity, pool human resources and continuously raise the overall competitiveness and economic efficiency of the industry in the market. On the basis of the successful development of the Jinyu Industrial Park, the Company will speed up the planning and construction of other industrial parks to serve as a new platform for another major development of the modern building materials segment. The Company will continue to carry out the circular economy philosophy and the low-carbon economy strategy by implementing clean production, energy conservation, emissions reduction and comprehensive utilization throughout all aspects of production and operation to better achieve the coordination and unification of "economic, social and ecological benefits".

With respect to the property development segment, the Company will seize the opportunity arising from the recovery of the property market by expanding land reserves by means of reasonable and sound market operations, and choosing the right timing for promotion of proprietary land market transactions, while it will optimize market regions by appropriately accessing the second- and third-tier cities with great urbanization potential and promising prospects for urbanization to continue to reserve an appropriate amount of land resources in a scientific manner. The Company will maintain the development of a product portfolio in a scientific and reasonable manner to further increase the proportion of ordinary commercial housing development. The Company will speed up construction, sales and recovery of capital to enhance profitability and cash flow. The Company will fully leverage on the advantages in the core industrial chain by aggressively exploring the development models for the residential property sector, and enhancing branding presence to develop competitive projects for achieving sustainable, fast and sound development in property development segment.

With respect to the property investment and management segment, the Company will fully leverage on the strength in resources integration and scale. The Company will take advantage of the opportunities arising from the "boost domestic demand" policy promoted by the PRC government by effectively coping with the economic development of Beijing and the PRC government's macro control policy. The Company will strengthen the innovative business model, profit model and service portfolio, increase marketing efforts, optimize the business environment, increase service level and property brand value to further improve profitability.

Lastly, on behalf of the Board, I would like to express my gratitude to the Shareholders and business partners of the Group for their support and assistance over the past year. In 2010, with the tremendous support of the Shareholders and the concerted efforts of all staff, the Company is confident that it will further achieve the rapid development of its businesses and return the Shareholders with good performance.

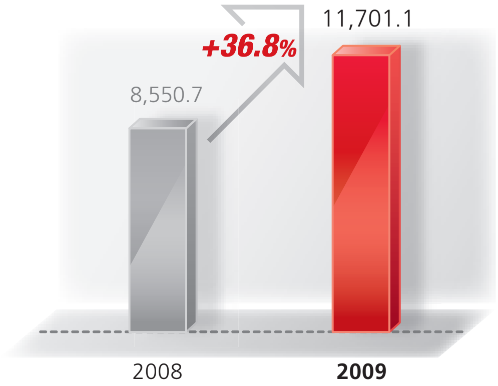
Jiang Weiping
Chairman of the Board
Beijing, the PRC, 16 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

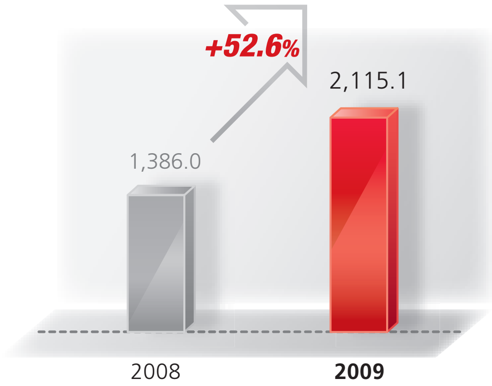
Summary of Financial Information

	2009 RMB million	2008 RMB million	Change %
Revenue	***11,701.1***	8,550.7	36.8
Gross profit	***3,259.2***	2,112.0	54.3
Profit before tax	***2,882.0***	1,907.4	51.1
Profit for the year	***2,115.1***	1,386.0	52.6
Net profit attributable to owners of the Company	***2,035.4***	1,320.9	54.1
Basic earnings per Share attributable to owners of the Company	***RMB0.63***	RMB0.59	6.8
Total assets	***35,456.7***	25,392.7	39.6
Net assets	***16,484.4***	8,174.3	101.7

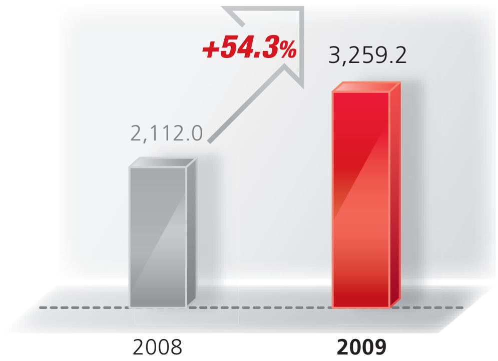
Revenue
(RMB million)



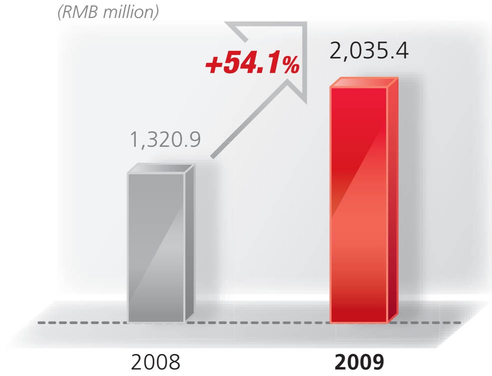
Profit for the year
(RMB million)



Gross profit
(RMB million)



Net profit attributable to owners of the Company
(RMB million)



Summary of Business Information

Cement	Sales volume for 2009	Sales volume for 2008	Change %
Cement (in 10,000 tonnes)	***1,388.0***	1,040.0	33.5
Including: Cement produced for the Group's own account (in 10,000 tonnes)	***1,082.0***	750.0	44.3
Concrete (in 10,000 cubic meters)	***290.0***	225.0	28.9
Treatment of solid waste (in 10,000 tonnes)	***16.0***	13.0	23.1

Modern building materials	2009	2008	Change %
Furniture (in RMB million)	***678.0***	617.0	9.9
Refractory materials (in 10,000 tonnes)	***17.3***	15.5	11.6
Trade and logistics (in RMB million)	***1,080.0***	999.0	8.1
Revenue from other products (in RMB million)	***533.0***	626.0	(14.9)

Property development	2009	2008	Change %
Newly completed GFA (in 10,000 sq.m.)	***54.0***	46.0	17.4
Booked GFA (in 10,000 sq.m.)	***47.4***	24.5	93.5
Including: Commodity housing (in 10,000 sq.m.)	***36.1***	20.1	79.6
Economically affordable housing (in 10,000 sq.m.)	***11.3***	4.4	156.8

Note: The booked GFA of 169,000 sq.m. during the year contributed by BBMG Vanke, a jointly-controlled entity of the Company, is not included.

Property investment and management	2009	2008	Change %
Gross GFA of investment property (in 10,000 sq.m.)	***60.1***	53.0	13.4
Leasable GFA (in 10,000 sq.m.)	***47.2***	41.6	13.5
Leased GFA (in 10,000 sq.m.)	***37.1***	27.9	33.0

Review of Overall Results

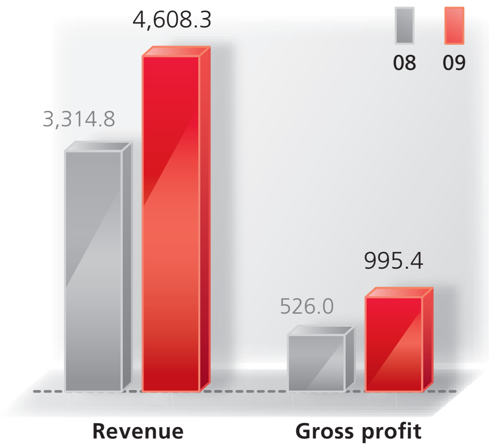
Leveraging on the RMB4 trillion economic stimulus package launched by the PRC government and the significant increase in fixed assets investment in the Beijing-Bohai Gulf Region, the Company boosted its advantageous businesses in 2009, speed up industrial restructuring and regional layout, strengthened its internal management, enhanced its management efficiency and reduced operating cost, which all together resulted in a remarkable increase in various economic indicators of the Company.

In 2009, the results of the Company had grown rapidly. Revenue exceeded RMB10 billion for the first time, increased by 36.8% year-on-year to RMB11,701.1 million; gross profit amounted to RMB3,259.2 million, an increase of 54.3% year-on-year; net profit amounted to RMB2,115.1 million, an increase of 52.6% year-on-year.

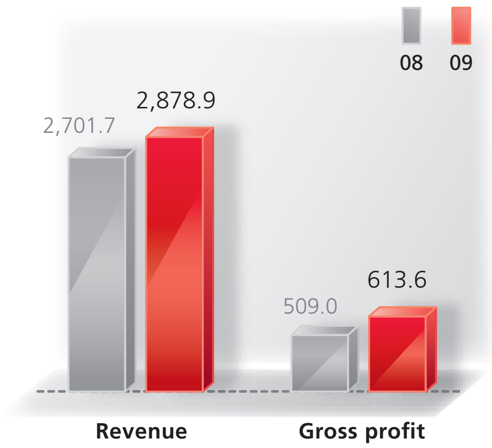
The results of all of the Company's four business segments namely cement, modern building materials, property development and property investment and management achieved remarkable growth. Among which:

- Revenue from cement segment increased by 39.0% to RMB4,608.3 million, with gross profit increased by 89.2% to RMB995.4 million;
- Revenue from modern building materials segment increased by 6.6% to RMB2,878.9 million, with gross profit increased by 20.6% to RMB613.6 million;
- Revenue from property development segment increased by 81.5% to RMB3,571.9 million, with gross profit increased by 78.9% to RMB1,188.0 million; and
- Revenue from property investment and management segment increased by 11.0% to RMB699.6 million, with gross profit increased by 11.4% to RMB463.5 million.

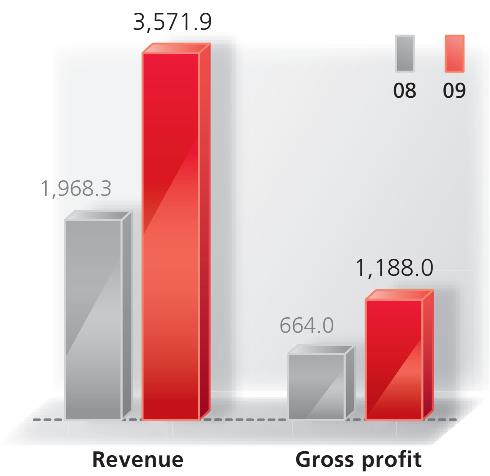
Cement segment
(RMB million)



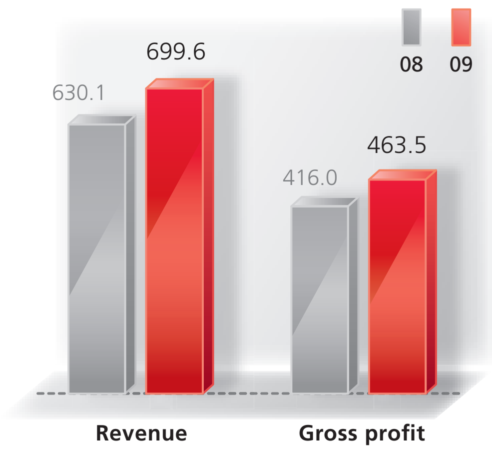
Modern building materials segment
(RMB million)



Property development segment
(RMB million)



Property investment and management segment
(RMB million)



Analysis of Business Segments

Comparison of revenue from each business segment

	Year ended 31 December 2009 RMB million	Year ended 31 December 2008 RMB million	Change %
Cement segment	***4,608.3***	3,314.8	39.0
Modern building materials segment	***2,878.9***	2,701.7	6.6
Property development segment	***3,571.9***	1,968.3	81.5
Property investment and management segment	***699.6***	630.1	11.0
Eliminations	***(57.6)***	(64.3)	N/A
Total	***11,701.1***	8,550.6	36.8

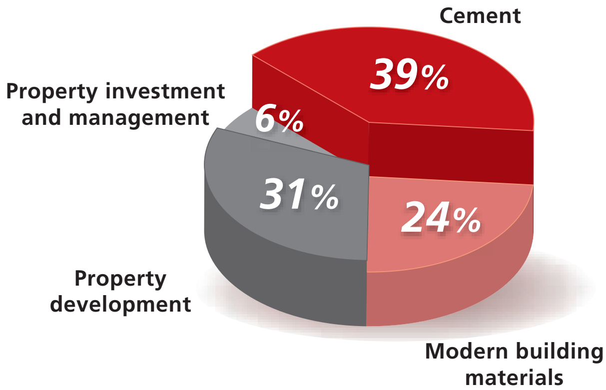
Comparison of gross profit of each business segment

	Year ended 31 December 2009 RMB million	Year ended 31 December 2008 RMB million	Change %
Cement segment	***995.4***	526.0	89.2
Modern building materials segment	***613.6***	509.0	20.6
Property development segment	***1,188.0***	664.0	78.9
Property investment and management segment	***463.5***	416.0	11.4
Eliminations	***(1.3)***	(3.0)	N/A
Total	***3,259.2***	2,112.0	54.3

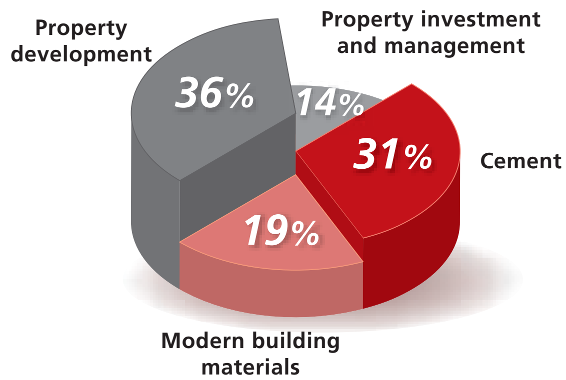
Comparison of gross profit margin of each business segment

	Year ended 31 December 2009	Year ended 31 December 2008	Change %
Cement segment	***21.6%***	15.9%	5.7
Modern building materials segment	***21.3%***	18.8%	2.5
Property development segment	***33.3%***	33.7%	(0.4)
Property investment and management segment	***66.3%***	66.0%	0.3
Eliminations	***N/A***	N/A	N/A
Average	***27.9%***	24.7%	3.2

Breakdown of segment revenue in 2009



Breakdown of segment gross profit in 2009



1. Cement Segment

During 2009, the Company's cement segment achieved revenue of RMB4,608.3 million, an increase of 39.0% year-on-year; gross profit amounted to RMB995.4 million, an increase of 89.2% year-on-year; and gross profit margin was 21.6%, an increase of 5.7 percentage points year-on-year.

For cement produced for the Company's own account in 2009, gross profit margin was 26.4%, an increase of 3.4% year-on-year; unit gross profit was RMB78 per tonne, an increase of RMB25 per tonne year-on-year; and unit net profit was RMB49 per tonne, an increase of RMB24 per tonne year-on-year.

The strong growth in the results of cement segment was attributable to (i) an average price hike to approximately RMB15 per tonne for cement in Beijing, Tianjin and Hebei Province in 2009 due to the favourable market environment; and (ii) tremendous improvement of the Company in internal management in respect of common operation, energy conservation, emission reduction, cost reduction and efficiency enhancement.

(1) Accelerating merger and acquisition and reorganisation of cement operations, boosting market share and predominance

The Company seized the favourable opportunities to increase its market share in the Beijing-Bohai Gulf Region, the Company won the tenders for 28 railway and expressway projects (including Beijing to Shijiazhuang, Beijing to Shanghai, Zhangjiakou to Chengde and Beijing to Chengde sections), several Beijing subways projects and the South-to-North Water Diversion Project. During the Reporting Period, cement sales volume was 13.88 million tonnes, an increase of 3.48 million tonnes year-on-year; of which cement produced for the Group's own account was 10.82 million tonnes, an increase of 3.32 million tonnes year-on-year. The newly built production line of Dingxin Cement with daily production capacity of 5,000 tonnes of clinker and the grinding station of Zanhuang Cement with production capacity of 1 million tonnes per annum commenced operations.

By fully capturing the opportunities from cement business restructuring and industry reorganisation promoted by the PRC government, the Company accelerated the acquisition and consolidation of cement production capacities in the Beijing-Bohai Gulf Region, and established strategic cooperation with other companies including China Haohua. As at the end of 2009, the cement production capacity of the Company reached 16.33 million tonnes and is expected to expand to approximately 40 million tonnes in 2010, which resulted in the enhancement of the Group's control over the regional cement market.

The acquisitions conducted during the Reporting Period and the proposals passed at the first extraordinary general meeting of the Company held on 30 March 2010 are set forth below:

Unit: 10,000 tonnes

Cement segment	Region	Shareholding	Annual capacity	Interested annual capacity	Limestone reserve	Notes
Zhenxing Cement	Tianjin	60.64%	180	109	–	
Zhangjiakou Jinyu Cement Co., Ltd	Zhangjiakou, Hebei Province	90%	110	99	2,700	
Quyang Cement	Quyang, Hebei Province	90%	200	180	7,000	Under construction, to commence operation in April 2010
Yongxing Cement	Zhuolu, Hebei Province	100%	200	200	8,000	Under construction, to commence operation in June 2010
Production line of Pinggu No. 2 Cement Plant	Pinggu, Beijing	100%	100	100	–	
Total			790	688	17,700	

(2) Stepping up the strategic resources reserves of the Group to secure sustainable development of the cement operation

As at the end of 2009, the limestone reserves under the Company's effective control reached 550 million tonnes, with additional reserves of 177 million tonnes through acquisitions as approved. As at 31 March 2010, limestone reserves of the Company totalled 727 million tonnes. Moreover, it will be further expanded to around 1 billion tonnes by the end of 2010 through consolidating strategic resources by all other means. The strategic resources reserves laid a solid foundation for growth and sustainable development of the Company's cement operations.

(3) Sharpening the pre-emptive edges of the Company in the development of circular economy and realizing an innovative and profitable business mode in the cement industry

The Company took great efforts in developing businesses of circular economy and low-carbon economy. The extensive usage of residual heat power generation technology in cement production line and commencement of kiln treatment of urban and industrial wastes and domestic sludge and garbage strengthened the Company's "energy conservative, environmentally friendly with high added value" new business mode for cement, which improved profitability significantly.

In 2009, the installed capacity for the Company's residual heat power generators reached 49.5MW, with a total annual power generation of 268 million kW-h and cost saving of nearly RMB70 million. Based on such, the Group successfully conducted its first carbon emission reduction international trade with an initial income of RMB3.15 million.

Admirable social and economic results were achieved in kiln treatment of industrial wastes, urban sludge, garbage and fly ash by the Company. In 2009, BBMG Mangrove Environmental treated 160,000 tonnes of industrial wastes and urban sludge, while Xinbeishui and BBMG Mangrove Environmental in aggregation recorded a net profit of RMB179.8 million by using a cement production line with a capacity of 2 million tonnes, an increase of 66.7% year-on-year. Liulihe Cement recorded a net profit of RMB90.1 million by using a cement production line with a capacity of 2 million tonnes, an increase of 43.7% year-on-year. Meanwhile, BBMG Mangrove Environmental is the only corporation in the PRC which obtained "Business License for Treatment of Wastes by Cement Kiln" issued by the Ministry of Environmental Protection of China, laying a secured path for the Company to further promote application of such technology in the cement industry.

(4) Enhancing internal operation control, lowering the management costs, enhancing profit level

Leveraging on its expertise, technology and management advantage in the cement industry, the Company improved the cement operation and profitability of acquired cement corporations. Dingxin Cement, a wholly-owned subsidiary of the Company, undergoes scale production, improvement of control of the regional cement market and operation costs reduction. Dingxin Cement has a production capacity of only 5.2 million tonnes, generated revenue of RMB1,509 million for 2009, an increase of 63.8% year-on-year, and net profit of RMB299.3 million, an increase of 390.7% year-on-year. While production capacity increased by 3.2 million tonnes since the Group acquired Dingxin Cement in 2007, net profit surged by nearly 10 times.

(5) Accelerating deployment in the downstream cement operation to realize the synergy of business chain

The Company was the first in the industry to promote business planning for commercial concrete to secure end market of cement through the control over regional concrete production, which extended the profit chain of cement business. During the Reporting Period, the Company sold commercial concrete amounting to 2.9 million cubic meters, a growth of 0.65 million cubic meters year-on-year; revenue was RMB850 million, an increase of 25% year-on-year; and gross profit margin was 8.1%, a rise of 3.16 percentage points year-on-year.

2. Modern Building Materials Segment

During 2009, the Company's modern building materials segment achieved revenue of RMB2,878.9 million, an increase of 6.6% year-on-year; gross profit amounted to RMB613.6 million, an increase of 20.6% year-on-year; and gross profit margin was 21.3%, an increase of 2.5 percentage points year-on-year.

	2009 RMB million	2008 RMB million	Change %
Revenue			
Modern building materials segment as a whole	***2,878.9***	2,701.7	6.6
– Decorative and fitting materials	***904.0***	990.0	(8.7)
– Insulation materials for energy saving wall body	***307.9***	252.7	21.8
– Refractory materials	***587.0***	460.0	27.6
– Trading and logistics	***1,080.0***	999.0	8.1
Gross profit			
Modern building materials segment as a whole	***613.6***	509.0	20.6
– Decorative and fitting materials	***179.0***	185.0	(3.2)
– Insulation materials for energy saving wall body	***69.6***	63.0	10.5
– Refractory materials	***189.0***	123.0	53.7
– Trading and logistics	***176.0***	138.0	27.5
Gross profit margin (%)			
Modern building materials segment as a whole	***21.3%***	18.8%	2.5
– Decorative and fitting materials	***19.8%***	18.7%	1.1
– Insulation materials for energy saving wall body	***22.6%***	24.9%	(2.3)
– Refractory materials	***32.2%***	26.7%	5.5
– Trading and logistics	***16.3%***	13.8%	2.5

The Company's modern building materials operations restructured its product mix and market strategy aggressively with a focus on advantageous products. Riding on the economic recovery, the segment maintained an overall business growth.

(1) Accelerating the construction of "Industrial Park" with strong emphasis on the development of modern, green and energy-saving building materials

Major and advantageous projects are being relocated to industrial park under a park-based and industry-clustered development mode, aiming to promote product restructuring and technology upgrade. In 2009, glass wool production line with a capacity of 15,000 tonnes and mineral wool board production line with a capacity of 25 million cubic meters were completed and commenced operation in the Dachang Industrial Park.

(2) Seizing market opportunities with strong emphasis on key construction projects

An integrated sales mode for building materials was established to provide general ancillary support to large projects and boost sales. In 2009, the Company won the tenders for National Museum of China, Jingbao Tunnel, China National Convention Center, Beijing subway stations and Tianjin Gate and Tianjin Tower etc.

3. Property Development Segment

During 2009, the Company's property development segment achieved a revenue of RMB3,571.9 million, an increase of 81.5% year-on-year; gross profit totalled RMB1,188.0 million, an increase of 78.9% year-on-year; and gross profit margin was 33.3%, a decrease of 0.4 percentage point year-on-year, and achieved a revenue cash inflow of RMB5,577.0 million.

(1) Speeding up sales for projects under construction in order to quickly recover capital

In 2009, booked GFA of real estate projects of the Company was 474,000 sq.m., a growth of 229,000 sq.m. year-on-year. In particular, booked GFA of commodity housing was 361,000 sq.m., an increase of 160,000 sq.m. year-on-year; and booked GFA of economically affordable housing was 113,000 sq.m., an increase of 69,000 sq.m. year-on-year. In addition, BBMG Vanke, a jointly-controlled entity of the Company, contributed booked GFA of 169,000 sq.m. during the year which contributed an income of approximately RMB52 million to the Company based on its equity ratio.

(2) Increasing land reserves in first-tier cities, stringent control on project land cost and improving product profitability

Based on its circumventing-cycle business strategy and strongholds across first-tier cities, the Company built up remarkable land reserves. Newly acquired land reserves from 2009 to early 2010 reached 1,798,000 sq.m., with an average accommodation value merely at RMB3,459 per sq.m.. Moreover, additional land reserves of 965,000 sq.m. were acquired by way of acquisition of Dacheng Development and its subsidiaries, as considered and approved by the Shareholders at the extraordinary general meeting of the Company held on 30 March 2010. As at 31 December 2009, the Company's land reserves reached 3,970,000 sq.m.. As at the end of March 2010, the Company had land reserves of approximately 5,590,000 sq.m. (including held but not developed area of 3,180,000 sq.m.).

Newly acquired land reserves from 2009 to early 2010

No.	Project	Location	Date of acquisition	Interest	Gross planned area (sq.m.)	Land premium (RMB'0,000)	Average GFA unit price (RMB per sq.m.)
1	Tuqiao phase 1	Beijing	25 May 2009	100%	339,753	55,925	1,646
2	Tuqiao phase 2	Beijing	12 June 2009	100%	342,441	56,002	1,635
3	Daxing Huangcun Commercial and Financial project	Beijing	27 April 2009	100%	116,465	15,360	1,319
4	West region of Dongshahe (west coast)	Beijing	25 June 2009	100%	101,430	31,312	3,087
5	Hangzhou Guanlan Times 1, Lot R-03	Hangzhou	3 December 2009	100%	126,350	72,100	5,706
6	Hangzhou Guanlan Times 1, Lot R-04	Hangzhou	3 December 2009	100%	62,930	35,123	5,581
7	Xisanqi project	Beijing	30 December 2009	100%	49,737	68,180	13,708
8	Tianjin Zhangguizhuang 1	Tianjin	11 January 2010	100%	367,815	136,990	3,724
9	Tianjin Zhangguizhuang 2	Tianjin	23 March 2010	100%	200,000	81,000	4,050
10	West coast of Dongshahe Jieshan phase 2	Beijing	5 March 2010	100%	91,379	70,040	7,665
	Total				**1,798,300**	**622,032**	**3,459**

4. Property Investment and Management Segment

In 2009, the Company's property investment and management segment continued to maintain a high occupancy rate and profit level, achieving a revenue of RMB699.6 million, an increase of 11.0% year-on-year; gross profit totalled RMB463.5 million, an increase of 11.4% year-on-year; and gross profit margin was 66.3%, an increase of 0.3 percentage point year-on-year.

(1) Increasing high-end investment property areas and steady improvement of valuation amounts

In 2009, there was an additional property area of 65,000 sq.m. upon the commencement of operation of Phase 3 of the Global Trade Center, bringing the total area of investment properties to 601,000 sq.m.. The total valuation of the properties amounted to RMB8.2 billion, representing a valuation of approximately RMB13,598 per sq.m. on average.

After the passing of the resolution relating to the acquisition of Dacheng Development and its subsidiaries at the extraordinary general meeting of the Company held on 30 March 2010, the Company has successfully acquired the Office Tower Project of Dacheng International Center. The area of investment properties has increased by 58,000 sq.m.. The office tower of Dacheng International Center is located at the CBD of East Fourth Ring in Beijing, which is a favourable geographical location. Dacheng International Center has a high occupancy rate with promising profit prospect.

(2) Increasing brand awareness

The Company's occupancy rate remains high in Beijing. Property projects held by the Company were awarded the title of "The Most Outstanding Demonstrative Property Buildings of the PRC" (全國優秀物業示範大廈). By offering comprehensive facilities and excellent services, the Company has attracted some international renowned corporations like Intel, Dentsu Inc., Deutsche Telekom AG and FAW-Audi to take occupancy. The enhanced brand awareness has directly contributed to an increase in the occupancy rates and leasing prices of the Company's properties.

Investment properties on lease in 2009

	Location	Interest	Property gross floor area (0,000 sq.m.)	Fair value (RMB hundred million)	Unit lease (RMB per day)	Average occupancy rate	Unit fair value (RMB per sq.m.)
Phase 1 of Global Trade Center	North Third Ring, Beijing	100%	10.5	18.11	5.5	92.9%	17,246
Tengda Plaza	West Second Ring, Beijing	100%	7.7	9.94	4.5	94.5%	12,783
Jin Yu Building	West Second Ring, Beijing	100%	3.6	5.59	4.0	96.2%	15,542
Jianda Building and Jiancai Jinmao Building	East Second Ring, Beijing	100%	4.7	8.62	6.3	98.4%	18,250
	Sub-total		**26.5**	**42.26**			
Other properties	Beijing Municipal		33.6	39.69			
	Total		**60.1**	**81.95**			**13,598**

Analysis of Other Items in Income Statement

1. Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB604.0 million, an increase of RMB31.4 million year-on-year. The increase was mainly attributable to increased VAT refunds due to higher revenue of Dingxin Cement, Liulihe Cement and Xinbeishui.

2. Net fair value gains on investment properties

During the Reporting Period, the net fair value gains on investment properties of the Group were RMB665.3 million, a decrease of RMB245.6 million year-on-year. The net fair value gains on investment properties were mainly due to an upward revision to fair value of the Company's investment properties by the valuer based on the surging property prices in Beijing open market.

3. Selling and marketing expenses, administrative expenses and financing costs

During the Reporting Period, there were noticeable drops in the Group's expenses in terms of percentage to revenue.

	2009 RMB million	2008 RMB million	Change RMB million
Selling and marketing expenses	***451.2***	447.5	3.7
Percentage to revenue	***3.9%***	5.2%	a decrease of 1.3 percentage points
Administrative expenses	***972.1***	890.3	81.8
Percentage to revenue	***8.3%***	10.4%	a decrease of 2.1 percentage points
Finance costs	***209.1***	228.4	(19.3)
Percentage to revenue	***1.8%***	2.7%	a decrease of 0.9 percentage point

(1) In 2009, selling and marketing expenses were RMB451.2 million, an increase of RMB3.7 million year-on-year, represented a slight increase compared with 2008. Through unified sale channels and other methods implemented by the Group, the percentage of selling and marketing expenses to revenue decreased by 1.3 percentage points year-on-year to 3.9%.

(2) In 2009, administrative expenses were RMB972.1 million, an increase of RMB81.8 million year-on-year. Such increase was mainly due to the business expansion of the Group's concrete and cement enterprises. However, after the Group carried out the integration of internal management, the percentage of administrative expenses to revenue decreased by 2.1 percentage points year-on-year to 8.3%.

(3) In 2009, finance costs were RMB209.1 million, a decrease of RMB19.3 million year-on-year. Through unified capital management, centralised borrowing and improvement of corporate credit rating, interest rates for most borrowings were 10% below the base rate. The percentage of finance costs to revenue decreased by 0.9 percentage point year-on-year to 1.8%.

4. Share of profits and losses of jointly-controlled entities and associates

In 2009, the share of profits and losses of jointly-controlled entities and associates changed from a loss of RMB34.4 million last year to a profit of RMB65.4 million this year. This was mainly due to the share of a profit of RMB52 million contributed by BBMG Vanke, a jointly-controlled entity of the Company, in this year.

Analysis of Assets and Liabilities

Comparison of major assets and liabilities items

	2009 RMB million	2008 RMB million	Change %
Current assets	***17,540.5***	11,025.9	59.1
Current liabilities	***11,074.9***	13,285.9	(16.6)
Net current assets (liabilities)	***6,465.6***	(2,260.1)	N/A
Non-current assets	***17,916.2***	14,366.8	24.7
Non-current liabilities	***7,897.4***	3,932.5	100.8
Total assets	***35,456.7***	25,392.7	39.6
Net assets	***16,484.4***	8,174.3	101.7
Comprising: Equity attributable to owners of the Company	***14,961.5***	7,334.3	104.0
Minority interests	***1,522.9***	840.0	81.3
Debt ratio (%) (total liabilities to total assets)	***53.5***	67.8	(14.3 percentage points)

As at 31 December 2009, the Group's consolidated assets totalled RMB35,456.7 million, an increase of 39.6% from the end of last year. The asset quality was significantly improved; net assets amounted to RMB16,484.4 million, an increase of 101.7% from the end of last year. Asset-liability ratio was 53.5%, a fall of 14.3 percentage points from the beginning of the Reporting Period.

As at 31 December 2009, the Group's net current assets were RMB6,465.6 million, an increase of RMB8,725.7 million year-on-year.

As at 31 December 2009, the Group's cash and bank balances totalled RMB5,642.4 million, an increase of RMB3,624.7 million year-on-year. As at 31 December 2009, the Group's interest-bearing bank borrowings totalled RMB6,145.1 million. Of these borrowings, approximately RMB2,420.6 million interest bearing bank borrowings were due for repayment within one year, a decrease of approximately RMB2,731.6 million at the beginning of the year. Approximately RMB3,724.5 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB1,851.8 million at the beginning of the year.

During the Reporting Period, the Company successfully issued the Bonds of RMB1,900 million with a tenure of seven years, a credit rating of 3A and a coupon rate of 4.32% which is far lower than that of similar financial products in the market. The Company also offered its H Shares for listing on the Main Board of the Stock Exchange, raising proceeds of approximately HK$6.848 billion. During the Reporting Period, the Company signed cooperation agreements with various banks to obtain a consolidated credit of RMB45.4 billion with an interest rate at 10% lower than the banks' benchmark interest rate for the same period. With a substantially improved financial status and capital structure, the Company's business development obtained steady capital support.

Future Prospects and Outlook

The Company will accelerate the consolidation of regional and strategic resources, enhance the core strengths of the four major industrial segments, namely cement, modern building materials, property development and property investment and management. The Company will continue to constantly enhance the core competitiveness and market competitive advantage through technological innovation and aggressive development of a low-carbon and circular economy. The Group will seize opportunities arising from some favourable policies introduced by the State for "boosting domestic demand" (拉動內需), "subsidizing the purchase of building materials in rural areas" (建材下鄉) and "encouraging industry restructuring" (鼓勵行業重組) to maintain its continued rapid growth and achieve rapid growth in its overall performance.

1. Prospects for the cement segment

With further improvement of strategic planning in Beijing, Tianjin and Hebei Province, the cement segment will selectively compete and deploy in resource-competitive regions through speeding up the construction and operation commencement of key projects.

(1) Carrying out development cost control and reduction to expand orderly

The Company will expand orderly for the cement business segment while carrying out development cost control and reduction. The 4 projects under construction with a daily production capacity of 5,000 tonnes of cement clinkers, namely Zanhuang Cement, Taihang Cement, Yongxing Cement and Quyang Cement are proceeding smoothly and are planned to gradually commence operation in 2010. The merger and acquisition and restructuring projects (including Hebei Yanzhao Cement Co., Ltd.) with a total cement production capacity of 8 million tonnes will improve the Company's operation quality and profitability and reinforce the Company as the largest cement manufacturer in Northern China. Leveraging on the rapid growth of additional capacity, the Company will seize critical market opportunities to raise its market coverage and market share.

(2) Possessing rare resources to strengthen strategic foundation

The Company will further capitalize on the foundation role of market resource allocation and further improve the control on the strategic resources in Beijing, Tianjin and Hebei Province and other regions, laying a solid foundation for the sustainable development of its cement business. The planning of the concrete industry will be speeded up simultaneously with the planning for the cement industry to develop the concrete business and enhance the control over the regional cement market and extend the profit chain of the cement industry.

(3) Competing for emerging markets to expand prudently

While strengthening the foundation built on the strategic planning in Beijing, Tianjin and Hebei Province, the Company will seize the deployment of strategic projects including cement production with carbide slag. The Company will select appropriate development projects, grasp the rythmn and extent to prudently expand the radius of "grand cross-shape" strategy (大十字戰略佈局) in a radial manner with Beijing, Tianjin and Hebei Province as the core regions, further improving the Company's influence in and control of large regional markets in cement business.

(4) Devoted to a low-carbon and circular economy and promotion of energy conservation and emission reduction

The Company will quickly participate in the responsibility system of enhancement of energy conservation and emission reduction of the PRC, enhance the construction of key projects related to energy conservation and emission reduction and commence policy measures including low-carbon economy pilot area. The Company will aggressively explore low carbon technological research and development and low carbon economic development route in the cement industry characterized by "low carbon emission, high effectiveness and high efficiency". National environmental protection construction research institute and national environmental protection construction laboratory will be established. The kiln treatment of wastes and sludges and treatment of fly ashes from garbage incineration will be widely promoted to continuously improve the profitability of the cement industry and create a new profit model for the cement industry.

2. Prospects for the modern building materials segment

While speeding up its restructuring, modern building materials segment has to enhance its business concentration on an ongoing basis as to further enhance its core competitiveness and follow closely to the "industrial park-based" development approach.

(1) Speeding up the construction of "industrial parks"

The Company will speed up the construction of "industrial parks" and carry out the clusterization development of the industry through "park-based" production and management to promote technology upgrade of products and enhance the market competitiveness and profit level of products. A new high-grade wood products project and a production base project with an annual production of 50,000 tonnes of high-grade paint at the Dachang Industrial Park is currently under construction and is expected to commence operation in 2010.

(2) Speeding up the adjustment of product mix

The Company will continue to deepen and enhance the resource consolidation as to speed up the adjustment of product mix. The Company will also continue to focusing on the development of competitive industries with an aim to substantially improve the overall market competitiveness and economic efficiency of the business. A number of the Company's key competitive industrial projects like the production lines with an annual output of 25 million sq.m. of mineral wool boards, the production lines with an annual production of 50,000 tonnes of high-grade refractory products and the production lines with an annual production of 150,000 tonnes high-quality refractory raw materials have been or will be put into production soon. It is anticipated these projects will generate considerable income for the Company in the future.

3. Prospects for the property development segment

Property development segment has to follow policy directions closely, continue to deepen the "two structures" (兩個結構) adjustment, laying emphasis on "accelerating cash flow" (好水快流) approach to speed up the sales, enhance the revenue and make substantial progress.

(1) Speeding up the product mix adjustment and project sales

The development ratio of normal commodity housing will be increased with the "accelerating cash flow" (好水快流) approach. Construction and sales will be speeded up as to achieve quick capital recovery. The sales effort of built housing with restrictions on house and land prices (兩限房) will be enhanced in order to convert the resources into revenue as soon as possible.

(2) Planning for first-tier cities and reserving sufficient land resources

The Company's property development operations will continue to focus on the planning for first-tier cities including Beijing, Tianjin, Hangzhou and Chongqing, prudently expand into second- and third-tier cities with large urbanization potential and promising urbanization prospects and maintain appropriate amount of land resources on a reasonable basis. The Company will acquire quality land resources with greater appreciation potential as far as total costs are under control.

(3) Accelerating asset restructuring and expanding business by means of various channels

The Company has recently succeeded in restructuring Dacheng Development and its subsidiaries. In the future, the Company will use various opportunities to actively carry out business restructuring for the rapid expansion of the business size of the property operations. In line with business development needs, the Company will also carry out the development on its own suitable land in Beijing on a timely basis, optimize the structure of land reserve resources and improve operational performance. The competitive edge of the Company's core business chain will be fully utilized to aggressively explore development approaches for real estate business.

4. Prospects for the property investment and management segment

While deepening resources consolidation and enhancing investment income, modern services sector has to step up its efforts to resolve the problem of scale efficiency.

(1) *Increasing the amount of the property areas held in core districts and prime locations*

The construction of Phase 4 of the Global Trade Center (hotels and apartments) proceeds smoothly, which will commence operation soon. The Company will increase the amount of property areas held in first-tier cities, core districts and prime locations by various means in line with market conditions.

(2) *Maintaining high brand awareness to enhance occupancy level*

The Company will capitalize on the advantages in high-grade brand in property lease and management by increasing occupancy rates and leasing prices to improve business performance.

Use of proceeds

The Company raised proceeds of approximately HK$6.85 billion from its H Shares listing. After deducting overseas listing related expenses, the net proceeds available for utilisation were approximately HK$6.49 billion (approximately equal to RMB5.72 billion). As stated in the prospectus of the Company dated 17 July 2009, the Group had plans to use such proceeds obtained. The amount applied to the intended use and the residual amount to be used as at 31 December 2009 were as follows:

Usage	Intended planned use of proceeds %	Intended planned use during the period from 29 July 2009 to 31 December 2009 RMB'000	Used during the period from 29 July 2009 to 31 December 2009 RMB'000	Notes	Intended planned use of the residual proceeds for the year ended 31 December 2010 RMB'000
Cement segment	37	2,150,000	177,400	1	674,000
Modern building materials segment	7	407,000	404,000	2	–
Property development segment	31	1,801,000	2,284,000	3	685,600
Repayment of bank loans	15	871,000	866,000	4	–
Working capital and other general corporate purposes	10	491,000	629,000	5	–
Total	**100**	**5,720,000**	**4,360,400**		**1,359,600**

Notes:

1 Including the acquisitions of the minority equity interests of Dingxin Cement and the production line of Pinggu No. 2 Cement Plant Co., Ltd. and the construction of residual heat power generators at Dingxin Cement and Liulihe Cement.

2 The construction of modern building material production infrastructure at the Dachang Industrial Park and the mineral wool acoustic board production line with the largest annual production capacity in Asia at 25 million sq.m. jointly invested with USG ChinaLux S.a.r.l.

3 As set out in the prospectus of the Company dated 17 July 2009, approximately 31% of the proceeds will be used to finance the construction of economically affordable housing. Jinyu Lijingyuan and Chaoyang District Dongliu projects are economically affordable housing and "housing with restrictions on house and land prices" developed by Beijing GEM.

4 Primarily including repayment of loans to Bank of Communications, Hua Xia Bank and Bank of Beijing.

5 The amount is used to supplement the working capital of the Group, part of which is reserved in Hong Kong dollars for daily payment of overseas expenses.

REPORT OF THE DIRECTORS

The Directors present their first report and the audited financial statements of the Company and the Group for the year ended 31 December 2009. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2008 as a non-Hong Kong company in Hong Kong under part XI of the Hong Kong Companies Ordinance. The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 July 2009.

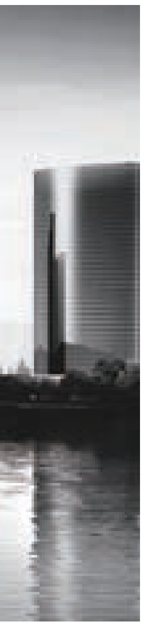
PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment, and provision of property management services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 and the financial position of the Company and the Group at that date are set out in the financial statements on pages 91 to 94 and pages 100 to 101 of this Annual Report.

No interim dividend has been paid during the year. The Directors now recommend the payment of a final dividend of RMB0.07 per Share to the Shareholders appeared on the register of members on 29 June 2010 amounting to approximately RMB271.1 million subject to the approval of the Shareholders at the forthcoming annual general meeting.



As far as the Company is aware, as at the date of this report, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements and the prospectus of the Company dated 17 July 2009, is set out on page 204. This summary does not form part of the audited financial statements.

BANK LOANS AND OTHER LOANS

Please refer to note 30 to the financial statements for details of the Company's bank loans and other loans as at 31 December 2009. During the year, interest capitalized amounted to RMB235.7 million, details of which were set out in note 7 to the financial statements.

SHARE CAPITAL

In July 2009, the Company issued 933,333,000 H Shares at HK$6.38 per H Share of the Company, which raised total gross proceeds of approximately HK$5.95 billion. The H shares of the Company are listed on the Main Board of the Stock Exchange on 29 July 2009. On 29 July 2009, the Parent, Tianjin Building Materials (Holdings) Co., Ltd. and China Cinda converted 75,367,105, 5,042,166 and 3,112,447 domestic shares of the Company into H Shares and transferred such H Shares to the National Council for Social Security Fund ("NSSF") respectively.

On 29 July 2009, the over-allotment option of H Shares of the Company was exercised and an additional 139,999,500 H Shares were issued at HK$6.38 per H share of the Company, which were listed on the Stock Exchange on 6 August 2009. The gross proceeds from the issuance of these H Shares amounted to approximately HK$0.89 billion. On 6 August 2009, the Parent, Tianjin Building Materials (Holdings) Co., Ltd. and China Cinda Asset Management Corporation converted 11,305,029, 756,322 and 466,866 domestic shares of the Company into H Shares and transferred such H Shares to the NSSF respectively. The changes in share capital of the Company is set out in note 37 to the financial statements.

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2009, an amount of approximately RMB1,589,674,000 standing to the credit of the Company's reserve account is available for distribution.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the year were:

Executive Directors:	
Jiang Weiping *(Chairman)*	
Li Changli *(Vice Chairman)*	
Jiang Deyi *(President)*	(appointed on 28 April 2009)
Shi Xijun	
Wang Hongjun	(appointed on 28 April 2009)
Zhang Handong	(appointed on 28 April 2009)
Wang Jianguo	(resigned on 28 April 2009)
Duan Jianguo	(resigned on 28 April 2009)
Zhao Jifeng	(resigned on 28 April 2009)
Non-executive Director:	
Zhou Yuxian	
Independent non-executive Directors:	
Hu Zhaoguang	
Xu Yongmo	
Zhang Chengfu	
Yip Wai Ming	(appointed on 28 April 2009)
Supervisors:	
Wang Xiaoqun	
Chen Changying	
Hu Jingshan	
Zhang Jie	
Hong Ye	
Fan Xiaolan	
Wang Youbin	

Subsequent to the end of the reporting Period, on the extraordinary general meeting held on 30 March 2010, Zhang Handong resigned as an executive Director of the Company and Deng Guangjun was appointed as an executive Director of the Company.

The Company has received an annual confirmation issued by each of the independent non-executive Directors as to his independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all of the four independent non-executive Directors of the Company are considered as independent persons.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 9 to 17 of this Annual Report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or the Supervisors has entered into a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director, either directly or indirectly, has any interests in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE COMPANY

None of the Directors has interests in any business which directly or indirectly competes or may compete with the Group.

EMPLOYEE RETIREMENT PLAN

Please refer to note 34 to the financial statements for details of the Company's employee retirement plan.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, none of the Directors, the Supervisors or chief executive officer of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part VI of the SFO (including interest and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights under the Articles or in the laws of the PRC which would oblige the Company to offer new Shares to its existing Shareholders on a pro rata basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

From the listing date of H Shares of the Company to 31 December 2009, there were no rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any Directors or their respective associates or were any such rights exercised by them; and the Company, its ultimate holding company or any subsidiaries of its ultimate holding company or fellow subsidiaries was not a party to any arrangement to enable the Directors to acquire such rights in the Company or any other body corporate.

TRANSACTIONS IN RESPECT OF ITS OWN SECURITIES

Up to 31 December 2009, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2009, the Group had no redeemable securities.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Type of shareholding	Name of Shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
Domestic shares	BBMG Group Company Limited	Directly and Beneficially Owned	1,753,647,866	74.14	45.27
Domestic shares	China National Materials Co., Ltd.	Directly and Beneficially Owned	239,580,000	10.13	6.19
Unlisted foreign shares	Hopeson Holdings Limited	Directly and Beneficially Owned	205,380,000	60.68	5.30
H Shares	China Life Insurance (Group) Company	Directly and Beneficially Owned	107,136,500	9.16	2.77
H Shares	Bank of China	Directly and Beneficially Owned	60,736,500	5.19	1.57
H Shares	JP Morgan Chase & Co.	Directly and Beneficially Owned	58,982,067	5.04	1.52

Save as disclosed above, as at 31 December 2009, there were no other parties who had interests or short positions in the Shares or underlying shares of the Company which would fall to be recorded in the register required to be kept under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchase from the Group's five largest suppliers accounted for less than 30% of the total purchase for the year.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the management shareholders as defined under the Listing Rules of the Company or their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions are required to be disclosed in the annual report of the Company.

A. One-off Connected Transactions

(1) Disposal of 50% equity interest in Tianjin Jinjian

On 30 September 2009, Beijing GEM (a wholly-owned subsidiary of the Company) entered into the transfer agreement with Tanggu Factory Company (a wholly-owned subsidiary of Tianjin Building Materials (Holding) Co., Ltd., one of the promoters of the Company) pursuant to which Beijing GEM has agreed to transfer to Tanggu Factory Company a 50% equity interest in Tianjin Jinjian for a total consideration of RMB200 million. The transaction was completed in early 2010.

(2) Acquisition of 13.38% equity interest in Dingxin Cement

Pursuant to the exercise of an option to acquire the entrusted equity interest in Dingxin Cement under the Dingxin Cement Entrustment Agreement, on 24 December 2009, the Company entered into an equity acquisition agreement with China National Complete Plant Import & Export Corp. Ltd. ("China National") (the then substantial shareholder of Dingxin Cement which was a non wholly-owned subsidiary of the Company), pursuant to which the Company has agreed to acquire from China National a 13.38% equity interest in Dingxin Cement for a total consideration of RMB106.23 million. The transaction was completed on 24 December 2009.

(3) Acquisition of 1.54% equity interest in Dingxin Cement

On 31 December 2009, the Company entered into an equity acquisition agreement with Design and Research Institute of Tianjin Cement Industry ("Cement Design & Research Institute") (a subsidiary of China National Materials Group Corporation, which is the parent of Sinoma, one of the promoters of the Company), pursuant to which the Company has agreed to acquire from Cement Design & Research Institute a 1.54% equity interest in Dingxin Cement for a total consideration of RMB12.26 million. The transaction was completed on 31 December 2009. After completion, Dingxin Cement became a wholly-owned subsidiary of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the above connected transaction agreements and the transactions contemplated under them are on normal commercial terms, which are fair and reasonable and are in the best interest of the Company and its Shareholders as a whole.

B. Continuing Connected Transactions

(1) Leasing of properties from the Parent and its subsidiaries (collectively, the "Parent Group")

On 8 July 2009, the Company and the Parent (the controlling Shareholder of the Company) entered into a master lease agreement (the "Master Lease Agreement"), pursuant to which the Parent Group leased a number of properties to the Group for a term commencing on 29 July 2009 and expiring on 31 December 2011. The annual cap in respect of the transactions under the Master Lease Agreement for the year ended 31 December 2009 was RMB8,800,000 and the total actual transaction amounts for the year ended 31 December 2009 was RMB7,170,000.

(2) Entrustment arrangement with respect to Dingxin Cement

On 21 March 2007, the Company and Beijing Huaye-Dasheng Technology Co., Ltd. ("Beijing Huaye") (the then substantial shareholder of Dingxin Cement which was a non wholly-owned subsidiary of the Company) entered into an entrustment agreement (the "Dingxin Cement Entrustment Agreement"), pursuant to which Beijing Huaye agreed to receive an entrustment fee of not less than RMB10.24 million per year from the Company in lieu of profit distribution attributable to the entrusted equity interest of Dingxin Cement for the term commencing on 21 March 2007 until such time when the Company acquires the entrusted equity interest. China National assumed the rights and responsibilities of Beijing Huaye under the Dingxin Cement Entrustment Agreement pursuant to a declaration it issued on 22 November 2007. On 24 December 2007, China National and the Company entered into a supplemental agreement, pursuant to which the parties agreed that the annual entrustment fee payment shall be starting from 1 January 2008. The annual cap and the actual transaction amount in respect of the Dingxin Cement Entrustment Agreement for the year ended 31 December 2009 was RMB10.3 million and RMB10.24 million, respectively.

Pursuant to the announcement of the Company dated 24 December 2009, the Company acquired the entrusted equity interest in Dingxin Cement from China National and terminated the Dingxin Cement Entrustment Agreement on 24 December 2009 pursuant to an equity transfer agreement dated 24 December 2009 entered into between the Company and China National.

(3) Provision of technical services

On 2 February 2008, Liulihe Cement (a wholly-owned subsidiary of the Company) and Sinoma International (a subsidiary of Sinoma which is one of the promoters of the Company) entered into a technical services agreement (the "Technical Services Agreement"), pursuant to which Liulihe Cement agreed to provide certain technical services to Sinoma International for a term of two years commencing on 1 March 2008. The annual cap in respect of the transactions under the Technical Service Agreement for the year ended 31 December 2009 was RMB59.1 million and the total actual transaction amounts for the year ended 31 December 2009 was RMB42,981,820.

(4) Purchase of services

On 8 July 2009, the Company and the Parent entered into a service purchase agreement (the "Service Purchase Agreement"), pursuant to which the Group agreed to purchase services such as consultancy (including the preparation of feasibility studies and reports), staff training, cleaning services and certain specialized property maintenance services from the Parent Group (including its associates) for a term commencing on 29 July 2009 and expiring on 31 December 2011. The annual cap in respect of the transactions under the Service Purchase Agreement for the year ended 31 December 2009 was RMB10.9 million and the total actual transaction amounts for the year ended 31 December 2009 was RMB9,865,811.

(5) Renovation work for the Parent

On 5 August 2008, Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. (a wholly-owned subsidiary of the Company) and the Parent entered into a renovation agreement (the "Renovation Agreement"), pursuant to which the Parent appointed Beijing Xisanqi High Tech New Building Material City Management and Development Co., Ltd. to undertake the primary land development of a property located at the residential area of Xisanqi Jiancaicheng, Haidian District, Beijing, owned by the Parent (the "Renovation Project"). The Renovation Project commenced in 2005 and is expected to be completed before 31 December 2009. The annual cap in respect of the transactions under the Renovation Agreement for the year ended 31 December 2009 was RMB35.0 million. No renovation income was recorded for the year ended 31 December 2009.

(6) Sale of goods to Sinoma International

On 8 July 2009, Tongda Refractory (a non wholly-owned subsidiary of the Company) and Sinoma International entered into a master sale of goods agreement (the "Sinoma International Goods Sales Agreement"), pursuant to which Tongda Refractory has agreed to sell refractory materials and other raw materials and products, as agreed between the parties from time to time, to Sinoma International for a term commencing on 29 July 2009 and expiring on 31 December 2011. Pursuant to the announcement of the Company dated 27 December 2009, the annual cap in respect of the transactions under the Sinoma International Goods Sales Agreement for the year ended 31 December 2009 was revised from RMB58.0 million to RMB84.1 million and the total actual transaction amounts for the year ended 31 December 2009 was RMB73,350,733.

(7) Sale of goods to the Parent Group

On 8 July 2009, the Company and the Parent entered into a sales agreement (the "Goods Sales Agreement"), pursuant to which the Group has agreed to sell goods such as cement, clinker, refractory materials, furniture, colour boards, toiletry and wooden products to the Parent Group (including its associates) for a term commencing on 29 July 2009 and expiring on 31 December 2011. Pursuant to the announcement of the Company dated 27 December 2009, the annual cap in respect of the transactions under the Goods Sales Agreement for the year ended 31 December 2009 was revised from RMB50.5 million to RMB80.0 million and the total actual transaction amounts for the year ended 31 December 2009 was RMB70,046,852.

(8) Purchase of goods from the Parent Group and Tongda Refractory

On 8 July 2009, the Company entered into a goods purchase agreement with each of the Parent and Tongda Refractory, respectively (together the "Goods Purchase Agreements"), pursuant to which each of the Parent Group (including its associates) and Tongda Refractory agreed to supply to the Group goods including cement, fuel, limestone and refractory materials for a term commencing on 29 July 2009 and expiring on 31 December 2011. Pursuant to the announcement of the Company dated 27 December 2009 and the circular of the Company dated 11 February 2010, the annual cap in respect of the transactions under the Goods Purchase Agreement, for the year ended 31 December 2009 was revised from RMB203.4 million to RMB700 million, which was approved and ratified by the independent Shareholders of the Company at the extraordinary general meeting held on 30 March 2010. The total actual transaction amounts for the year ended 31 December 2009 was RMB688,582,988.

The independent non-executive Directors of the Company, Hu Zhaoguang, Xu Yongmo, Zhang Chengfu and Yip Wai Ming, have for the purpose of Rule 14A.37 of the Listing Rules, reviewed the above continuing connected transactions and confirmed that such continuing connected transactions, for the financial year ended 31 December 2009, have been entered into:

(i) in the ordinary and usual course of business of the Group:

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the Company has engaged the international auditors of the Company, Ernst & Young, to perform certain agreed-upon procedures on the above continuing connected transactions of the Group as identified by the management for the year ended 31 December 2009 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The international auditors based on the agreed-upon procedures, have confirmed to the Board in writing that for the year ended 31 December 2009:

(1) the continuing connected transactions above had received the approval of the Board;

(2) in relation to those continuing connected transactions involving provisions of goods and services by the Group (for the samples selected), their pricing was in accordance with the pricing policies of the Group;

(3) the continuing connected transactions above (for the samples selected) were entered into in accordance with the terms of the relevant agreements or contracts governing such transactions; and

(4) the accumulated transaction amounts of each of the above continuing connected transactions did not exceed the relevant annual cap as set out in the prospectus of the Company dated 17 July 2009 and/or the announcement of the Company dated 27 December 2009.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in the normal course of business are set out in note 45 to the financial statements. Those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules have complied with Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the Reporting Period are set out in note 48 to the financial statements.

AUDITORS

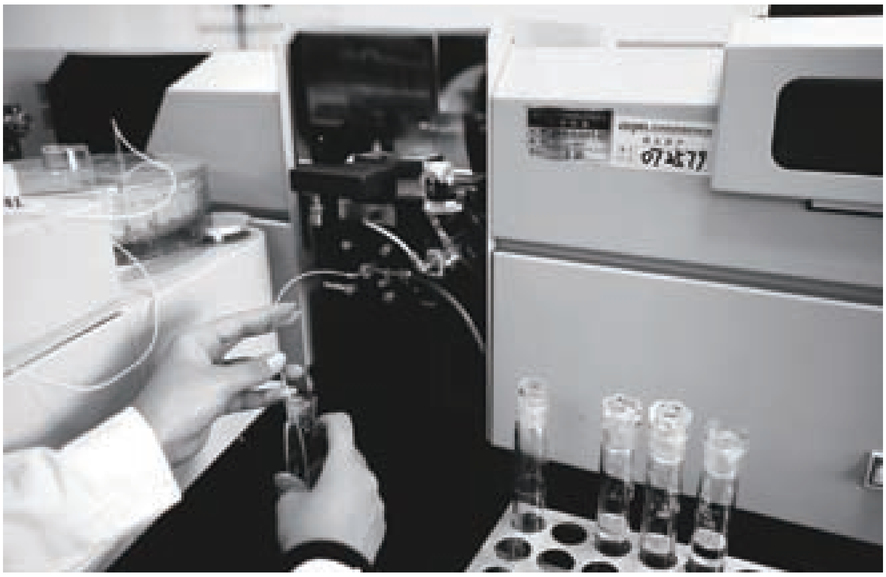
Ernst & Young and Beijing Xinghua Certified Public Accountants retire and a resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as the international auditors of the Company and Beijing Xinghua Certified Public Accountants as the domestic auditors of the Company.

On behalf of the Board

Jiang Weiping
Chairman
Beijing, the PRC, 16 April 2010


金隅技术中心
BBMG TECHNICAL CENTER
业务受理大厅

REPORT OF THE SUPERVISORY BOARD



During the Reporting Period, all members of the Supervisory Board actively discharged their duties in accordance with the relevant laws and regulations and the requirements of the Articles, and conducted an effective supervision over the compliance of the meetings and decision-making processes of the Board and the implementation procedures with the relevant laws and regulations and the requirements of the Articles, so as to protect the interests of the Shareholders and the long-term interests of the Company.

During the Reporting Period, the Supervisory Board held two meetings. At the sixth meeting of the first session of the Supervisory Board convened on 27 April 2009, the resolution in relation to the 2008 Report of the Supervisory Board and the resolution in relation to the election of the Supervisors were considered and approved. At the first meeting of the second session of the Supervisory Board convened on 28 April 2009, Wang Xiaoqun was elected as the chairman of the second session of the Supervisory Board. All members of the Supervisory Board attended these two meetings. During the Reporting Period, all members of the Supervisory Board attended all general meetings of the Company convened during the year, and were present all Board meetings convened during the year. The Supervisory Board also reviewed the resolutions proposed to the Board for consideration. The Supervisors exercised its supervision of the major decision-making processes of the Company and the performance of duties by the members of the Board and the senior management staff by attending the relevant meetings.

During the Reporting Period, the Supervisory Board oversaw the implementation of the financial management system of the Company and its subsidiaries and regularly reviewed the relevant financial information of the Company and its subsidiaries as well as their auditors' reports. As such, the Supervisory Board confirmed that the accounts and their audit procedures of the Company and its subsidiaries were in compliance with the requirements of the Accounting Law of the PRC, the accounting system issued by the Ministry of Finance of the PRC and the Hong Kong Financial Reporting Standards and that no issues have been identified in respect of the above matters during the review.

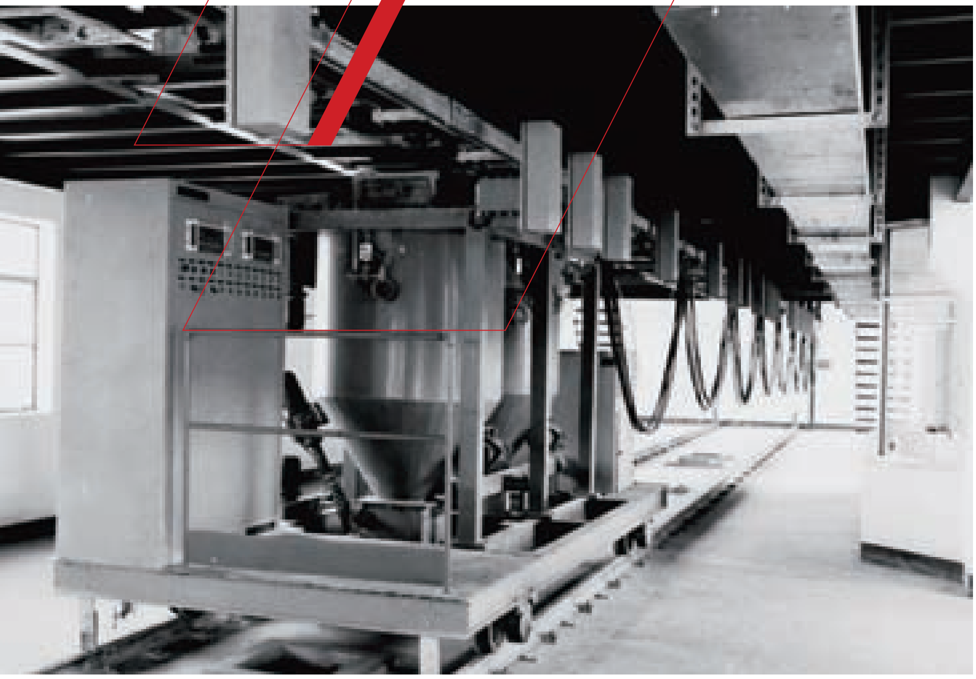
The Supervisory Board has duly reviewed the relevant information such as the unqualified 2009 financial report of the Group which has been audited by independent auditors and is to be presented to the Shareholders at the annual general meeting of the Company by the Board, and considers that such report was prepared based on a set of consistent principles and reflects the financial positions and the results of operation of the Group on an accurate, true and fair basis.

The Supervisory Board confirmed that the connected transactions and the continuing connected transactions between the Company and its connected persons, including the Parent, conducted during the Reporting Period were fair and just without any prejudice to the interests of other Shareholders and the Company; that the Directors, the president and other senior management have strictly performed their fiduciary duties, exercised diligently their rights and powers delegated by the Shareholders and performed their obligations; and that no abuse of power that jeopardized the interests of the Shareholders of the Company and the legal rights of its employees has been identified.

The Supervisory Board is confident about the development prospects of the Company. In 2010, the Supervisory Board will continue to discharge its duties diligently and protect the interests of the Shareholders in strict compliance with the Articles of the Company and the relevant requirements.

On behalf of the Supervisory Board

Wang Xiaoqun
Chairman
Beijing, the PRC, 16 April 2010



INVESTOR RELATIONS REPORT

OVERVIEW

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. Since its listing on 29 July 2009, the Group has been actively maintaining contact with investors and keeping them abreast of the latest industry updates, corporate communications and business development in a timely manner, so as to establish a platform for fair, open and transparent information disclosure. The Board secretary and one of the joint company secretaries, Wu Xiangyong, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the Reporting Period, the Group actively participated in various investor relations activities and provided on-time information to investors through its company website.

INVESTOR RELATIONS REVIEW

1. Global Offering and Global Roadshow

The H Shares of the Company have been successfully listed on the Main Board of the Stock Exchange since 29 July 2009. During the listing process, the first global roadshow was held in major international financial markets including Hong Kong, Singapore, London, New York and Boston where one-on-one, group meetings and luncheons were arranged with various fund managers and analysts to explain the strengths and growth strategies of the Group. Since its listing, the Group has continued to actively participate in roadshows and presentations organized by sizable investment banks to provide up-to-date information about the Group and future prospects to the investors so as to increase the investors' understanding of the Group.

2. Investor Forums and Conferences

Since its listing, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in Hong Kong and Beijing, and actively organized one-on-one and group meetings with various fund managers and analysts. During the Reporting Period, the Group has met with more than 300 analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group.

3. Ongoing Communications with Shareholders, Investors and Analysts

The Group has adopted an active and progressive approach to provide the Shareholders and investors of the Group with the opportunity to communicate with the senior management of the Group through one-on-one and group meetings and luncheons to share with them the financial performance, business updates and future prospects of the Group.

4. Results Announcement

The Group had prepared detailed results reports upon finalization of interim and annual results of the Group. Investors' presentations and press conferences were also held to provide updates in relation to the market environment, financial performance, operating strategies and future prospects to the public in an accurate and effective manner, so as to maintain the Group's transparent investor relations strategy and strengthen the communications with the public.

5. Maintaining Interactive Communications with Media

The Group is endeavored to maintain a close relationship with the overseas and local media, and disseminate the Group's updates to the public through various channels, ranging from organizing press conferences for listing, interim and annual results announcements, issuing regular press releases, and arranging media interviews with the management of the Group, and thus increasing the Group's publicity and further strengthening its corporate image and position.

6. Timely Dissemination of Latest Corporate Updates

Company website is considered to be one of the quickest means to communicate with investors. During the Reporting Period, the Group launched its company website www.bbmg.com.cn as the platform to communicate with the public. The Group regularly updated the website contents, disseminated the latest corporate updates, developments and disclosed financial information of the Group so as to enable the public to obtain such information in a timely manner. In addition, the Group also swiftly responded to different enquiries made by the Shareholders, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

PROSPECTS

The foundation of investor relations is based on the seamless integration of advanced public communication strategies and the dedicated involvement by the senior management of the Group. In 2010, the Group will continue to maintain highly transparent and effective corporate governance practices and is endeavored to maintain timely and accurate information dissemination in order to strengthen the relationship with investors.

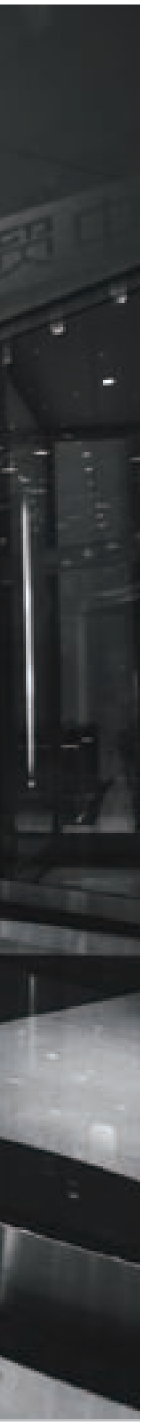
INVESTOR INFORMATION

1	Share Particulars	
	Listing date	29 July 2009
	Board lot	500 Shares
	Number of issued H Shares	1,169,382,435 Shares (as at 31 December 2009)
	Stock code	2009
2	Financial Calendar	
	2009 interim results announcement	published on 28 August 2009
	2009 annual results announcement	published on 16 April 2010
	Closure of register of members for annual general meeting	from 31 May 2010 to 29 June 2010
	Annual general meeting	29 June 2010
	Financial year end	31 December
3	Proposed final dividend for the year ended 31 December 2009	RMB0.07 per Share

For any queries, please contact:
BBMG Corporation
Room 2220
22nd Floor, Tower D
Global Trade Center
No. 36 North Third Ring East Road
Dongcheng District 100013
Beijing
The People's Republic of China

Investor Relations Department
Phone: (8610) 6641 7706
Fax: (8610) 6641 0889
Email: ir@bbmg.com.cn
Company website: www.bbmg.com.cn

CORPORATE GOVERNANCE REPORT



The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2009.

1 Commitment to Corporate Governance

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance and has always recognised the importance of accountability and communication with Shareholders through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and profit.

The Company has adopted and complied with all the code provisions of the CG Code set out in Appendix 14 to the Listing Rules during the year ended 31 December 2009, as its own code on corporate governance practices.

The Board also formulated several internal protocols and guidelines including the Continuing Connected Transaction Management Protocol (關連交易管理辦法), Continuing Connected Transactions Practical Guidelines (關連交易實施細則), Code on Dealing in Securities by Management (管理層證券交易守則), Personnel Registration Method for Price Sensitive Information (股價敏感資訊知情人登記制度) and Measures Governing Investor Relations (投資者關係管理制度) as the relevant work rules of the Group.

2 The Board

Duties and Functions of the Board

The Board is responsible for leading and monitoring the Company's affairs. The Board oversees the strategic development of the Company and determines the objectives, strategic and policies of the Company. The Board also monitors and controls the operating and financial performance in pursuit of the strategic development of the Company. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs so as to ensure the success of the Company through the achievement of the plans to enhance Shareholders' value. The Board makes regular assessment on the management's business prospects and results as well as exercises other power and makes decisions objectively in the interests of the Company, including the approval and monitoring of key policy matters, overall strategies, business plans (inclusive of annual budgets), internal control and risk management systems, material transactions (in particular those which may involve conflicts of interest), major capital expenditures, appointment of Directors and other significant financial and operational matters.

According to the President Working Guidelines (總裁工作細則), all routine operations are delegated to the president of the Company. The day-to-day management, administration and operation of the Company are delegated to the management team under the supervision of the executive Directors. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

All Directors have full and timely access to appropriate business documents and all relevant information about the Group on a timely basis as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. When needed and upon making request to the Board, all Directors and Board committees may have recourse to external legal counsel and other independent professionals for advice at the Company's expense in carrying out their functions.

The management team has an obligation to supply to the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. Each Director has separate and independent access to the management team.

Composition

As at the date of this Annual Report, the Board comprises six executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors:

Jiang Weiping	Chairman of the Board, the Remuneration and Nomination Committee and the Strategic Committee
Li Changli	Vice chairman of the Board and the Strategic Committee
Jiang Deyi	President and Vice Chairman of the Strategic Committee
Shi Xijun	Vice chairman of the Remuneration and Nomination Committee
Wang Hongjun	Chief financial officer and member of the Strategic Committee
Deng Guangjun	member of the Strategic Committee

Non-executive Director:

Zhou Yuxian	member of the Audit Committee

Independent non-executive Directors:

Hu Zhaoguang	members of the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee
Xu Yongmo	members of the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee
Zhang Chengfu	Chairman of the Audit Committee, members of the Remuneration and Nomination Committee and the Strategic Committee
Yip Wai Ming	member of the Audit Committee

The biographical details of each Director are disclosed on pages 9 to 13 of this Annual Report.

Upon the expiry of the first session of the Board on 28 April 2009, Wang Jianguo, Duan Jianguo and Zhao Jifeng resigned as the executive Directors of the Company and Jiang Deyi, Wang Hongjun and Zhang Hangdong were appointed as an executive Directors of the Company and Yip Wai Ming was appointed as an independent non-executive Director of the Company on the same day for the second session of the Board.

During the Reporting Period, Zhang Handong tendered his resignation before the end of his term of office as an executive Director of the Company on 28 August 2009. In accordance with the Articles, the resignation of Zhang Handong will result in the total number of Directors of the Company to be below the requirement as stated in the Articles and therefore the resignation of Zhang Handong only became effective after a new Director, Deng Guangjun, has been appointed by the Shareholders at the extraordinary general meeting convened on 30 March 2010.

All Directors shall report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict of interest in any proposal under consideration, such Director shall report his interests and abstain from voting and may, when necessary, apply for absence. The Board requires the Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each reporting period. Any material transactions relating to connected parties, which have been confirmed, will be disclosed in accordance with the Listing Rules and in notes to the financial statements of an annual report.

The independent non-executive Directors of the Company possess wide professional expertise and experience, and can fully perform their important function of supervision and balance to protect the interests of the Company and the Shareholders as a whole. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence set out in Rule 3.13 of the Listing Rules and has received written annual confirmations from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules.

The Company complies with the requirement concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or accounting or relevant financial expertise set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal action that the Directors and senior management may be involved. The Board reviews annually on the insurance arrangement.

The non-executive Directors (including the independent non-executive Directors) advise the Company on strategic and significant matters. The Board considers that each non-executive Director brings his own level of experience and expertise to the effective functioning of the Board. The Board seeks the development of an effective working environment for the executive and non-executive Directors so as to improve the quality of the decisions made by the Board without constraining the independent views of the non-executive Directors. Regular Board meetings were held during the year with open discussion between the executive Directors and non-executive Directors so as to enhance mutual understanding and effective working relationships.

Save as disclosed herein, to the best of knowledge of the Directors, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

The Chairman and the Chief Executive Officer

To ensure a balance of power and authority, the roles of the chairman of the Board and the chief executive officer are segregated and are not exercised by the same individual.

Jiang Weiping is the chairman of the Board. The primary role of the chairman is to provide leadership for the Board and to ensure that it works effectively in discharging of its responsibilities by setting the overall strategy and making major development decisions of the Company and monitoring their implementation and ensuring the creation of value for Shareholders. He takes part in cultivating and maintaining good relationships with strategic associates of the Company and creating a favourable environment for the development of the Company's core businesses.

Jiang Deyi is the president of the Company, who also acts as the chief executive officer of the Company. The president is responsible for the day-to-day operation and management of the Company's business, formulating different business and financial targets and management rules, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Company.

Term of Office of Directors

Each of the executive Directors (save for Deng Guangjun) and non-executive Director has entered into a service contract with the Company for a term of three years commencing on 28 April 2009. Deng Guangjun has entered into a service contract with the Company as an executive Director for a term commencing on 30 March 2010 and ending on 27 April 2012. Each of the independent non-executive Directors has been appointed for a term of three years commencing on 28 April 2009.

Joint Company Secretaries

All Directors are entitled to the joint company secretaries' services. The joint company secretaries report and notify the Board the latest information on governance and oversight on a regular basis, assist the chairman in preparation of the agenda, and prepare and despatch meeting documents on a timely and comprehensive basis so as to ensure the efficiency and validity of the Board meetings. With the assistance of the Company's legal advisers, the joint company secretaries are in charge of arranging the publication of annual and interim reports and disclosure of information and data in accordance with the Listing Rules and relevant rules of the Company. The joint company secretaries make timely and regular enquiries with the Company's finance department in accordance with the Company's protocols and guidelines such as the Continuing

Connected Transaction Management Protocol (關連交易管理辦法) and Continuing Connected Transactions Practical Guidelines (關連交易實施細則) for information on connected transactions to secure the full compliance with the Listing Rules in respect of such transactions.

The joint company secretaries are also in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents, which will be provided and disclosed to all Directors for their inspection upon request at reasonable time. All matters under consideration including any enquiry and objection by Directors will be minuted in details. Within a reasonable timeframe upon closing a meeting, a minute draft will be despatched to all Directors for their comments.

Board Meetings

The chairman is responsible for convening and holding the Board meetings. Assisted by the joint company secretaries, the chairman seeks to ensure all Directors have proper access to accurate, timely and sufficient data on the proposals to be considered by the Board to enable them to reach their final decisions on the relevant Board meeting. While a fourteen days' notice of a regular Board meeting is given, the agenda of meeting and the meeting documents enclosed are circulated at least three days prior to the holding of a Board meeting or a meeting of any Board committee.

The chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board has adopted comprehensive and sound corporate governance practices and procedures and encourages an open and frank communication among Board members so as to ensure enquiries raised by the Board members are addressed efficiently and effectively by the appropriate personnel of the Company.

It is expressly provided in the Rules of Procedure of Board Meeting (董事會議事規則) for the Board that, in the event that a substantial Shareholder or a Director of the Company has a conflict of interests in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interests in the matters to be considered shall abstain from voting.

The Board held five regular Board meetings during the Reporting Period. Due notice and Board papers were given to all Directors prior to the meetings in accordance with the Listing Rules and the CG Code. During the Reporting Period, the Board also resolved three written resolutions by way of circulation. The attendance details of each Director during the Reporting Period are set out in the table below :

Name of Director	Number of attendance/ Number of meetings: Written Resolutions	Regular Meeting
Executive Directors		
Jiang Weiping *(Chairman)*	3/3	5/5
Li Changli *(Vice Chairman)*	3/3	5/5
Jiang Deyi *(President)* (appointed on 28 April 2009)	3/3	4/4
Shi Xijun	3/3	5/5
Zhang Handong (appointed on 28 April 2009)	0/3	2/4
Wang Hongjun (appointed on 28 April 2009)	3/3	4/4
Duan Jianguo (resigned on 28 April 2009)	N/A	1/1
Wang Jianguo (resigned on 28 April 2009)	N/A	1/1
Zhao Jifeng (resigned on 28 April 2009)	N/A	1/1
Non-executive Director		
Zhou Yuxian	3/3	5/5
Independent non-executive Directors		
Hu Zhaoguang	3/3	5/5
Xu Yongmo	3/3	5/5
Zhang Chengfu	3/3	5/5
Yip Wai Ming (appointed on 28 April 2009)	3/3	4/4

Board Committees

There are three Board committees under the Board, namely, the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee. Their terms of reference are determined in accordance with the principles set out in the CG Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to appoint legal advisors, accountants or other professionals to provide professional advice if necessary, the expenses of which are borne by the Company.

Audit Committee

The Audit Committee assumes the responsibilities for reviewing of the Company's financial reports, reviewing of internal control and corporate governance work and provision of relevant advices to the Board. The Audit Committee comprises four independent non-executive Directors and one non-executive Director, namely Zhang Chengfu (Chairman), Hu Zhaoguang, Xu Yongmo, Zhou Yuxian and Yip Wai Ming.

During the year, the Audit Committee convened two meetings. The senior management and external auditors were invited to attend these meetings. The major functions and roles of the Audit Committee are :

- To review the financial statements of the Company;
- To consider and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- To review the accounting policies adopted by the Group and their implementation;
- To review the effectiveness of internal control systems;
- To oversee the engagement of external auditors and their independence; and
- To review and monitor the effectiveness of the internal audit function.

The attendance details of the Audit Committee members during the Reporting Period are as follows:

Name of Director	**Number of attendance/ Number of meetings**
Independent non-executive Directors	
Zhang Chengfu *(Chairman)*	2/2
Hu Zhaoguang	2/2
Xu Yongmo	2/2
Yip Wai Ming	2/2
Non-executive Director	
Zhou Yuxian	1/2

The work of the Audit Committee during the Reporting Period included reviews of:

- the external auditors' report in respect of the interim audit for the six months ended 30 June 2009;
- the 2009 interim report and interim results announcement;
- the internal control system of the Group with the discussion of the internal auditors;
- the internal control memorandum; and
- connected transactions of the Group.

This Annual Report and annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee.

Remuneration and Nomination Committee

The Company established a Remuneration and Nomination Committee with written terms of reference in compliance with the CG Code. The main responsibilities of the committee are to review and consider the remuneration policies and structure of the Directors and senior management and make relevant proposals to the Board, to review and approve the performance based remuneration by reference to the objectives of the Group (as adopted from time to time by the Board), to nominate candidates as Directors and senior management, to examine nominations for Directors and senior management and to make recommendations to the Board for appointments. The candidates of Directors are selected and recommended based on their working experience, professional expertise and commitment. The recommendations of the Nomination and Remuneration Committee are then put forward for consideration by the Board. The Remuneration and Nomination Committee consists of five members, two of whom are executive Directors, namely Jiang Weiping, as the Chairman of the committee, and Shi Xijun, as the Vice Chairman of the committee, together with three independent non-executive Directors, namely Hu Zhaoguang, Zhang Chengfu and Xu Yongmo.

During the Reporting Period, the Remuneration and Nomination Committee convened two meetings. The attendance details of the Remuneration and Nomination Committee members during the Reporting Period are as follows:

Name of Director	Number of attendance/ Number of meetings
Executive Directors	
Jiang Weiping *(Chairman)*	2/2
Shi Xijun *(Vice Chairman)*	2/2
Independent non-executive Directors	
Hu Zhaoguang	2/2
Zhang Chengfu	1/2
Xu Yongmo	2/2

The work of the Remuneration and Nomination Committee during the Reporting Period included (i) the consideration of the tendered resignation of Zhang Handong as executive Director; (ii) the recommendation of the proposed appointment of Deng Guangjun as executive Director; and (iii) the recommendation of the appointment of five senior management, namely, Wang Shizhong, Li Weidong, Fu Qiutao, Wang Zhaojia and Liu Wenyan. As at the date of this Annual Report, the Remuneration and Nomination Committee had reviewed the remuneration packages in respect of the Directors and members of senior management of the Company for the Reporting Period as disclosed and considered that their respective remuneration packages were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

The biographical details of senior management are disclosed on pages 16 to 17 of this Annual Report.

Strategic Committee

The Company established a Strategic Committee whose primary duties are to formulate the overall development plans and investment decision-making procedures of the Group. The strategic committee currently consists of eight members, five of whom are executive Directors, namely Jiang Weiping, Li Changli, Jiang Deyi, Wang Hongjun and Deng Guangjun, with Jiang Weiping serving as its Chairman and Li Changli and Jiang Deyi as its Vice Chairmen together with three independent non-executive Directors, namely Hu Zhaoguang, Zhang Chengfu and Xu Yongmo.

Up to the date of this Annual Report, the Strategic Committee had convened one meeting with an attendance rate of 100% to review and consider information regarding the Asset Restructuring, including any material financial information relating to the cement business of the Group, the progress of defect rectification of the cement businesses and assets of the Group, valuation progress and Asset Restructuring proposal formulation. The Strategic Committee will submit a report on the key issues addressed and the matters reviewed relating to the Asset Restructuring to the Board for review.

3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, price-sensitive information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control system and risk management process for the year ended 31 December 2009.

Management team shall provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2009, the Directors have:

- consistently applied appropriate accounting policies;
- made judgements and estimates that are prudent and reasonable; and
- prepared the accounts on the going concern basis.

The interim and annual results of the Company are announced in a timely manner within the limits of three months and four months, respectively, after the end of the relevant period.

The Company has received a statement by the independent international auditors of the Company about their reporting responsibilities. The statement of the independent international auditors of the Company on its reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 89 to 90 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

4 Directors' and Supervisors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules and established the Code on Dealing in Securities by Management (管理層證券交易守則), as the Company's code of conduct and rules to govern dealings by all Directors in the securities of the Company. The Model Code is also applicable to the Supervisors, special employees and/or senior management of the Group who may have certain price sensitive data that has not been disclosed. The Model Code is delivered twice a year, namely, 30 days prior to the Board meeting to approve the Company's interim results and 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors, the Supervisors and the specific employees who may have certain price sensitive information that they may not deal in the Shares until the publication of the results announcement.

The Company has also established the Personnel Registration Method for Price Sensitive Information (股價敏感資訊知情人登記制度) for controlling and monitoring the relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Group or its securities.

All Directors confirmed that as at 31 December 2009, none of the Directors, the Supervisors and the specific employees who may have certain price sensitive information that has not been disclosed complied with the Model Code has interests or short positions which are required to notify the Company and the Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the Report Period.

5 Internal Control and Audit

Internal Control

The Board has the ultimate responsibility to maintain a sound and effective internal control system for the Company to safeguard the interests of the Company and the Shareholders as a whole and to ensure strict compliance with relevant laws, rules and regulations. The Board is fully in charge of the internal control system and is responsible for reviewing the effectiveness of the internal control system.

The Company's internal control system comprises a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. The procedures have been designed for safeguarding assets against any unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. The procedures have also been designed to ensure compliance with all applicable laws, rules and regulations. During the Reporting Period, the Company has carried out an overview on the effectiveness of the internal control system of the Company. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Company. No material internal control aspects of any significant problems were noted. Both the Audit Committee and the Board were satisfied that the internal control system of the Company had functioned effectively during the Reporting Period.

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young to confirm its independence and objectiveness, held meetings with Ernst & Young to discuss the audit scope and fees by Ernst & Young. The Company engaged Ernst & Young as the international auditors and Beijing Xinghua Certified Public Accountants as the domestic auditors of the Company. The remuneration in respect of audit services provided by Ernst & Young and Beijing Xinghua Certified Public Accountants to the Company in 2009 is summarised as follows (no non-audit services was provided by Ernst & Young and Beijing Xinghua Certified Public Accountants in 2009):

	RMB'000
Annual results auditing service	
Ernst & Young	5,300
Beijing Xinghua Certified Public Accountants	4,200
Agreed upon procedures service provided by Ernst & Young	100
Total	9,600

6 Communications with Shareholders

The Board fully recognises that effective communication with investors is the key to build up investors' confidence and attract new investors. The Company held briefs to investment analysts and investors immediately following the announcement of its annual and interim results. Senior management were present to analyse the performance of the Company, expound the business development of the Company and answer questions raised by investors, so as to make known the Company's existing operation, investment status and business development, thereby enhancing the investors' confidence in the Company.

For further details, please refer to the section headed "Investor Relations Report" in this Annual Report.

On behalf of the Board

Jiang Weiping
Chairman
Beijing, the PRC, 16 April 2010

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of BBMG Corporation
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of BBMG Corporation set out on pages 91 to 197, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 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.

Auditors' responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

Independent Auditors' Report *(continued)*

To the shareholders of BBMG Corporation
(Incorporated in the People's Republic of China with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and 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 Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
16 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5	**11,701,087**	8,550,656
Cost of sales		**(8,441,898)**	(6,438,645)
Gross profit		**3,259,189**	2,112,011
Other income and gains	5	**604,028**	572,596
Fair value gains on investment properties, net		**665,307**	910,866
Selling and marketing expenses		**(451,205)**	(447,495)
Administrative expenses		**(972,070)**	(890,276)
Other expenses, net		**(79,564)**	(87,581)
Finance costs	7	**(209,128)**	(228,352)
Share of profits and losses of:			
Jointly-controlled entities		**49,314**	(16,831)
Associates		**16,091**	(17,562)
PROFIT BEFORE TAX	6	**2,881,962**	1,907,376
Income tax expense	10	**(766,856)**	(521,365)
PROFIT FOR THE YEAR		**2,115,106**	1,386,011
Attributable to:			
Owners of the Company	11	**2,035,388**	1,320,816
Minority interests		**79,718**	65,195
		2,115,106	1,386,011
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**RMB0.63**	RMB0.59

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR	**2,115,106**	1,386,011
OTHER COMPREHENSIVE INCOME		
Available-for-sale assets:		
Changes in fair value	**2,419**	–
Income tax effect	**(605)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,116,920**	1,386,011
Attributable to:		
Owners of the Company	**2,037,202**	1,320,816
Minority interests	**79,718**	65,195
	2,116,920	1,386,011

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,040,049**	4,233,644
Investment properties	15	**8,195,400**	7,409,487
Land use rights	16	**1,451,811**	1,328,558
Goodwill	17	**246,350**	99,171
Other intangible assets	18	**26,122**	22,265
Mining rights	19	**149,348**	89,828
Interests in jointly-controlled entities	21	**241,325**	254,406
Interests in associates	22	**316,835**	795,237
Available-for-sale investments	23	**17,411**	14,985
Deferred tax assets	33	**231,580**	119,199
Total non-current assets		**17,916,231**	14,366,780
CURRENT ASSETS			
Inventories	24	**7,698,826**	6,347,923
Trade and bills receivables	25	**1,613,258**	1,139,744
Prepayments, deposits and other receivables	26	**2,409,619**	1,499,591
Tax recoverable	31	**20,412**	20,953
Restricted cash	27	**142,747**	135,753
Cash and cash equivalents	27	**5,499,609**	1,881,897
Non-current assets held for sale	39	**155,962**	–
Total current assets		**17,540,433**	11,025,861
CURRENT LIABILITIES			
Trade and bills payables	28	**2,285,463**	1,961,612
Other payables and accruals	29	**5,736,011**	5,786,030
Dividend payable		**–**	19,057
Interest-bearing bank loans	30	**2,420,600**	5,152,200
Taxes payable	31	**590,710**	321,259
Provision for supplementary pension subsidies and early retirement benefits	34	**42,156**	45,761
Total current liabilities		**11,074,940**	13,285,919
NET CURRENT ASSETS/(LIABILITIES)		**6,465,493**	(2,260,058)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,381,724**	12,106,722

Consolidated Statement of Financial Position *(continued)*

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	30	**3,724,546**	1,872,700
Corporate bonds	32	**1,933,904**	–
Deferred tax liabilities	33	**1,213,650**	955,856
Provision for supplementary pension subsidies and early retirement benefits	34	**562,429**	558,328
Deferred income	35	**322,537**	304,778
Other non-current liabilities	36	**140,292**	240,831
Total non-current liabilities		**7,897,358**	3,932,493
Net assets		**16,484,366**	8,174,229
EQUITY			
Equity attributable to owners of the Company			
Issued capital	37	**3,873,333**	2,800,000
Reserves	38	**10,817,007**	4,422,226
Proposed final dividend	12	**271,133**	112,000
		14,961,473	7,334,226
Minority interests		**1,522,893**	840,003
Total equity		**16,484,366**	8,174,229

Jiang Weiping
Director

Wang Hongjun
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	1,800,000	830,342	–	22,167	(888,781)	–	1,695,106	112,689	3,571,523	610,678	4,182,201
Issue of shares – note 37	1,000,000	1,600,000	–	–	–	–	–	–	2,600,000	–	2,600,000
Contributions from the Parent	–	–	–	–	19,200	–	–	–	19,200	–	19,200
Contributions from minority interests	–	–	–	–	–	–	–	–	–	89,444	89,444
Acquisitions of minority interests	–	–	–	–	(38,621)	–	–	–	(38,621)	(257,443)	(296,064)
Acquisitions of Taihang Huaxin	–	–	–	–	–	–	–	–	–	348,010	348,010
Profit appropriation to reserves	–	–	1,115	–	–	–	(1,115)	–	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	(15,881)	(15,881)
Final 2007 dividend declared	–	–	–	–	–	–	–	(112,689)	(112,689)	–	(112,689)
Deemed distributions to the Parent – note 2.1	–	–	–	(22,167)	(3,836)	–	–	–	(26,003)	–	(26,003)
Total comprehensive income for the year	–	–	–	–	–	–	1,320,816	–	1,320,816	65,195	1,386,011
Proposed 2008 final dividend – note 12	–	–	–	–	–	–	(112,000)	112,000	–	–	–
At 31 December 2008	2,800,000	2,430,342	1,115	–	(912,038)	–	2,902,807	112,000	7,334,226	840,003	8,174,229

Consolidated Statement of Changes In Equity *(continued)*

Year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserve	Merger reserve	Capital reserve	Available-for-sale investment revaluation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	2,800,000	2,430,342	1,115	–	(912,038)	–	2,902,807	112,000	7,334,226	840,003	8,174,229
Issue of shares – note 37	1,073,333	4,643,945	–	–	–	–	–	–	5,717,278	–	5,717,278
Contributions from minority interests	–	–	–	–	–	–	–	–	–	10,050	10,050
Acquisitions of minority interests	–	–	–	–	(16,481)	–	–	–	(16,481)	(141,233)	(157,714)
Acquisitions of subsidiaries – note 40	–	–	–	–	1,248	–	–	–	1,248	736,628	737,876
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	(2,273)	(2,273)
Total comprehensive income for the year	–	–	–	–	–	1,814	2,035,388	–	2,037,202	79,718	2,116,920
Final 2008 dividend declared	–	–	–	–	–	–	–	(112,000)	(112,000)	–	(112,000)
Proposed 2009 final dividend – note 12	–	–	–	–	–	–	(271,133)	271,133	–	–	–
At 31 December 2009	**3,873,333**	**7,074,287***	**1,115***	**–***	**(927,271)***	**1,814***	**4,667,062***	**271,133**	**14,961,473**	**1,522,893**	**16,484,366**

* These reserve accounts comprise the consolidated reserves of RMB10,817,007,000 (2008: RMB4,422,226,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,881,962**	1,907,376
Adjustments for:			
Finance costs	7	**209,128**	228,352
Share of profits and losses of jointly-controlled entities		**(49,314)**	16,831
Share of profits and losses of associates		**(16,091)**	17,562
Interest income	5	**(28,671)**	(46,543)
Depreciation	6	**371,437**	276,191
Impairment of items of property, plant and equipment	6	**–**	2,149
Impairment of trade receivables, net	6	**27,385**	29,310
Impairment on interest in an associate	6	**5,469**	–
Amortisation of land use rights	6	**29,718**	18,568
Amortisation of mining rights	6	**6,226**	2,541
Amortisation of other intangible assets	6	**1,872**	1,378
(Gain)/loss on disposal of items of property, plant and equipment, net	6	**(23,000)**	1,616
Gain on disposal of land use rights	6	**(26,677)**	–
Gain on disposal of investment properties	6	**(29,569)**	–
Loss on disposal of subsidiaries		**–**	3,272
Recognition of deferred income	5	**(34,960)**	(18,503)
Changes in fair value of investment properties	15	**(665,307)**	(910,866)
		2,659,608	1,529,234
Increase in inventories		**(1,042,529)**	(717,052)
(Increase)/decrease in trade and bills receivables		**(181,714)**	140,933
(Increase)/decrease in prepayments, deposits and other receivables		**(1,005,002)**	685,156
Increase in restricted cash		**(6,994)**	(43,422)
Increase in trade and bills payables		**131,204**	245,157
Increase/(decrease) in other payables and accruals		**4,640**	(595,171)
Decrease in other non-current liabilities		**–**	(11,814)
Increase/(decrease) in provision for supplementary pension subsidies and early retirement benefits		**496**	(28,207)
Cash generated from operations		**559,709**	1,204,814
Interest received		**28,671**	46,543
Interest paid		**(197,020)**	(176,610)
Government grants received		**66,019**	63,970
Corporate income tax paid		**(302,329)**	(296,662)
Land appreciation tax paid		**(18,689)**	(14,470)
Net cash flows from operating activities		**136,361**	827,585

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,099,787)**	(1,155,405)
Additions of investment properties		**(280,909)**	(654,289)
Additions of land use rights		**(328,815)**	(375,957)
Additions of other intangible assets	18	**(5,729)**	(18,131)
Additions of mining rights		**(83,069)**	(7,550)
Purchases of listed shares		**(2,347)**	–
Purchases of unlisted shares		**(301)**	(2,819)
Acquisitions of subsidiaries, net of cash acquired	40	**358,961**	9,298
Purchases of shareholding in associates		**–**	(192,925)
Proceeds from disposal of items of property, plant and equipment		**160,613**	41,792
Proceeds from disposal of unlisted shares		**2,641**	289
Proceeds from disposal of land use rights		**30,600**	–
Proceeds from disposal of investment properties		**70,004**	–
Proceeds from disposal of a jointly-controlled entity		**1,676**	–
Proceeds from disposal of associates		**5,447**	–
Payment of outstanding cash consideration for acquisition of a subsidiary in prior years		**(106,230)**	–
Acquisition of minority interests		**(157,714)**	(296,064)
Additions of investments in jointly-controlled entities		**(96,649)**	(95,131)
Dividends received from associates		**2,424**	–
Dividends received from jointly-controlled entities		**1,406**	–
Disposal of subsidiaries		**–**	(22,456)
Repayment from a jointly-controlled entity		**217,399**	125,727
Interest paid		**(38,691)**	(68,359)
Net cash flows used in investing activities		**(2,349,070)**	(2,711,980)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Gross proceeds from issue of new shares upon listing	37	**6,035,160**	–
Share issue expenses	37	**(317,882)**	–
Proceeds from issue of shares	37	**–**	2,600,000
Net proceeds from issue of bonds	32	**1,874,091**	–
Repayment to the Parent for financing activities		**–**	(1,581,840)
Repayment of loans from the Parent		**–**	(778,000)
Proceeds from bank loans		**5,347,396**	9,902,630
Repayment of bank loans		**(6,835,750)**	(7,714,331)
Interest paid		**(149,314)**	(228,352)
Deemed distributions to the Parent		**–**	(26,003)
Dividends paid to owners of the Company		**(131,057)**	(147,962)
Dividends paid to minority shareholders		**(2,273)**	(15,881)
Capital contributions from minority shareholders in subsidiaries		**10,050**	89,444
Net cash flows from financing activities		**5,830,421**	2,099,705
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,617,712**	215,310
Cash and cash equivalents at beginning of year		**1,881,897**	1,666,587
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,499,609**	1,881,897
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**5,476,989**	1,844,969
Non-pledged time deposits with original maturity of less than three months when acquired	27	**22,620**	36,928
		5,499,609	1,881,897

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**566,124**	222,538
Investment properties	15	**5,652,320**	4,629,950
Land use rights	16	**454,095**	337,868
Investments in subsidiaries	20	**6,428,081**	5,436,944
Investments in jointly-controlled entities	21	**161,720**	110,971
Investments in associates	22	**285,002**	336,804
Available-for-sale investments	23	**8,194**	8,194
Total non-current assets		**13,555,536**	11,083,269
CURRENT ASSETS			
Trade and bills receivables	25	**–**	252,489
Prepayments, deposits and other receivables	26	**4,421,616**	2,495,026
Cash and cash equivalents	27	**3,409,781**	540,053
Total current assets		**7,831,397**	3,287,568
CURRENT LIABILITIES			
Trade and bills payables	28	**30,656**	240,004
Other payables and accruals	29	**2,959,794**	2,729,067
Dividend payable	12	**–**	19,057
Interest-bearing bank loans	30	**700,000**	3,298,000
Taxes payable	31	**49,255**	–
Provision for supplementary pension subsidies and early retirement benefits	34	**38,698**	42,035
Total current liabilities		**3,778,403**	6,328,163
NET CURRENT ASSETS/(LIABILITIES)		**4,052,994**	(3,040,595)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,608,530**	8,042,674

Statement of Financial Position *(continued)*

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	30	**1,650,000**	400,000
Corporate bonds	32	**1,933,904**	–
Deferred tax liabilities	33	**679,608**	507,432
Provision for supplementary pension subsidies and early retirement benefits	34	**535,475**	531,566
Total non-current liabilities		**4,798,987**	1,438,998
Net assets		**12,809,543**	6,603,676
EQUITY			
Issued capital	37	**3,873,333**	2,800,000
Reserves	38	**8,665,077**	3,691,676
Proposed final dividend	12	**271,133**	112,000
Total equity		**12,809,543**	6,603,676

Jiang Weiping
Director

Wang Hongjun
Director

Notes to Financial Statements

1. CORPORATE INFORMATION

BBMG Corporation (the "Company") was established in the People's Republic of China (the "PRC") on 22 December 2005 as a joint stock company with limited liability. The registered office of the Company is located at No. 36, North Third Ring East Road, Dongcheng District, Beijing, the PRC.

The Company and it subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment, and provision of property management services.

In the opinion of the directors of the Company, the ultimate holding company of the Company is BBMG Group Company Limited (the "Parent"), a state-owned enterprise administrated by the State-owned Assets Supervision and Administration Commission of the Beijing Municipal Government (the "Beijing SASAC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for investment properties and certain equity investments, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

Notes to Financial Statements

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Contingent consideration is recognised if the adjustment is probable and can be measured reliably. Subsequent measurement to the contingent consideration affects goodwill. Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY DISCLOSURES

In 2009, the Group early adopted the amendment to HKFRS 8, *Operating Segments – Disclosure of information about segment assets* which is effective for annual periods beginning on or after 1 January 2010.

HKFRS 8 clarified that segment assets need only to be reported when those assets are include in measures that are used by the chief operating decision-makers. HKFRS 8 requires retrospective application. As such information is not regularly reported to the chief operating decision-makers of the Group, it is not disclosed in the information of operating segments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]

Notes to Financial Statements

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs issued in October 2008*	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 36, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of investment

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of associates, after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 12%
Plant and machinery	5% to 33%
Furniture, fixtures and office equipment	10% to 50%
Motor vehicles	8% to 33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. The Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, therefore, the Group's investment properties under construction continue to be measured at cost until construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives, including trademarks, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the straight-line basis over their estimated useful lives of 2 to 10 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Others

Others included purchased patents and licences which are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 15 years.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the shorter of the unexpired periods of the rights on the straight-line basis or the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the estimated reserves of the mines on the units of production method.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, corporate bonds, interest-bearing loans and borrowings.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(c) from the rendering of services, when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity;

(d) rental income, on a time proportion basis over the lease terms;

(e) property management income, when the related management services have been provided;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group implemented a pension annuity plan pursuant to which the Group pays contributions to the plan regularly and the Group has no further obligation thereto once the required contribution has been made. The contributions are recognised as employee benefit expense when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

***Pension obligations** (continued)*

The Group also provided supplementary pension subsidies to retired employees in the PRC during the period. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits of set amounts to employees. The benefits are unfunded. The liability recognised in the consolidated statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% at the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives. As detailed in note 34 below, the Group terminated the supplementary pension subsidies attributed to employees who retire after 31 December 2007.

Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. When funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.4% and 6.7% has been applied to the expenditure on the individual assets.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost and net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties and are subject to revaluation at the end of each reporting period.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

PRC land appreciation tax

The Group is subject to land appreciation taxes in the PRC. The provision of land appreciation tax is based on management's best estimates according to their understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its land appreciation tax calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences are realised.

PRC corporate income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related polices are required in determining the provision of corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the corporate income tax and tax provisions in the period in which the differences are realised.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of investment properties

Investment properties are revalued at the end of the reporting period on a market value, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current market rentals for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

Notes to Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to the income statement upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Impairment provision of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Notes to Financial Statements

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices and current market conditions.

Retirement benefits

The Group establishes liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefit expenses and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who will conduct annual assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, pension benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the cement segment engages in the manufacture and sale of cement and concrete;

(b) the modern building materials segment engages in the manufacture and sale of building materials and furniture;

(c) the property development segment engages in real estate development; and

(d) the property investment and management segment invests in properties for their rental income potential and/or for capital appreciation, and provides management and security services to residential and commercial properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from such measurement.

Notes to Financial Statements

4. OPERATING SEGMENT INFORMATION *(continued)*

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

No revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue during the year.

Year ended 31 December 2009

	Cement	Modern building materials	Property development	Property investment and management	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue					
External customers	4,590,045	2,855,827	3,571,904	683,311	11,701,087
Intersegment	18,218	23,102	–	16,286	57,606
Total revenue	4,608,263	2,878,929	3,571,904	699,597	11,758,693
Reconciliation:					
Elimination of intersegment sales					(57,606)
Revenue					11,701,087
Segment results	878,458	204,741	1,098,844	926,210	3,108,253
Reconciliation:					
Elimination of intersegment results					34,590
Interest income					21,303
Corporate and unallocated expenses, net					(73,056)
Finance costs					(209,128)
Profit before tax					2,881,962

Notes to Financial Statements

4. OPERATING SEGMENT INFORMATION *(continued)*

	Cement	Modern building materials	Property development	Property investment and management	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other segment information					
Share of profits and losses of jointly-controlled entities	–	(6,877)	56,191	–	49,314
Share of profits and losses of associates	35,813	(19,722)	–	–	16,091
Fair value gains/(losses) on investment properties, net	–	1,555	(9,080)	672,832	665,307
Impairment losses recognised/(reversed) in the income statement, net	19,482	8,697	(808)	–	27,371
Depreciation and amortisation	252,141	89,702	8,959	58,451	409,253
Interests in jointly-controlled entities	–	159,047	82,278	–	241,325
Interests in associates	18,000	297,636	–	1,199	316,835
Assets classified as held for sale	–	–	155,962	–	155,962
Capital expenditure*	1,372,272	479,161	5,157	559,511	2,416,101

* *Capital expenditure consists of additions to property, plant and equipment, land use rights, mining rights, other intangible assets and investment properties.*

Notes to Financial Statements

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2008

	Cement RMB'000	Modern building materials RMB'000	Property development RMB'000	Property investment and management RMB'000	Total RMB'000
Segment revenue					
External customers	3,279,909	2,678,252	1,968,332	624,163	8,550,656
Intersegment	34,880	23,465	–	5,957	64,302
Total revenue	3,314,789	2,701,717	1,968,332	630,120	8,614,958
Reconciliation:					
Elimination of intersegment sales					(64,302)
Revenue					8,550,656
Segment results	447,091	148,975	523,819	1,127,761	2,247,646
Reconciliation:					
Elimination of intersegment results					3,145
Interest income					18,770
Corporate and unallocated expenses, net					(133,833)
Finance costs					(228,352)
Profit before tax					1,907,376

Notes to Financial Statements

4. OPERATING SEGMENT INFORMATION *(continued)*

	Cement RMB'000	Modern building materials RMB'000	Property development RMB'000	Property investment and management RMB'000	Total RMB'000
Other segment information					
Share of profits and losses of jointly-controlled entities	–	(1,621)	(15,210)	–	(16,831)
Share of profits and losses of associates	3,122	(19,939)	(745)	–	(17,562)
Fair value gains/(losses) on investment properties, net	–	23,588	(16,974)	904,252	910,866
Impairment losses recognised/(reversed) in the income statement, net	32,102	–	(643)	–	31,459
Depreciation and amortisation	165,359	79,558	5,991	47,770	298,678
Interests in jointly-controlled entities	–	118,256	136,150	–	254,406
Interests in associates	462,777	331,240	–	1,220	795,237
Capital expenditure	595,550	618,717	6,886	1,368,954	2,590,107

Notes to Financial Statements

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the gross proceeds, net of business tax and surcharges, from the sale of properties; the net incurred value of services rendered; gross rental income, net of business tax and surcharges received and receivable from investment properties; and property management income received and receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of goods	**7,088,620**	5,652,170
Sale of properties	**3,350,304**	1,889,868
Sale of land	**187,057**	–
Gross rental income from investment properties	**336,416**	296,744
Property management fees	**219,282**	169,559
Rendering of services	**155,810**	134,746
Income from processing industrial waste	**119,125**	124,542
Hotel operations	**128,210**	124,982
Others	**116,263**	158,045
	11,701,087	8,550,656
Other income and gains		
Gross rental income from lease of plant and machinery	**28,760**	53,606
Gain on disposal of items of property, plant and equipment	**23,000**	14,105
Gain on disposal of land use rights	**26,677**	–
Gain on disposal of investment properties	**29,569**	–
Bank interest income	**21,303**	18,770
Interest income received from jointly-controlled entities	**7,368**	27,773
Relocation compensation	**46,310**	29,367
Government grants (note)		
– Recognition of deferred income	**34,960**	18,503
– Value-added tax refund	**254,414**	191,837
Service fee income	**14,069**	30,610
Others	**117,598**	188,025
	604,028	572,596

Note: There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Financial Statements

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2009 RMB'000	2008 RMB'000
Cost of inventories sold		**7,778,334**	5,741,117
Cost of services provided		**663,564**	697,528
Depreciation	14	**371,437**	276,191
Impairment of items of property, plant and equipment		**–**	2,149
Amortisation of land use rights	16	**29,718**	18,568
Amortisation of other intangible assets*	18	**1,872**	1,378
Amortisation of mining rights	19	**6,226**	2,541
Research and development costs		**74,471**	63,232
Impairment of trade receivables, net**	25	**27,385**	29,310
Impairment of interest in an associate**	22	**5,469**	–
(Gain)/losses on disposal of items of property, plant and equipment, net		**(23,000)**	1,616
Gain on disposal of investment properties		**(29,569)**	–
Gain on disposal of land use rights		**(26,677)**	–
Loss on disposal of subsidiaries		**–**	3,272
Minimum lease payments under operating leases:			
Plant and machinery		**41,366**	46,773
Land and buildings		**59,270**	47,486
		100,636	94,259
Auditors' remuneration		**9,500**	7,707
Employee benefit expense (including directors' and supervisors' remuneration):			
Wages and salaries		**560,987**	528,466
Pension schemes contributions (defined contribution schemes)***		**137,697**	120,699
Supplementary pension subsidies and early retirement benefits	34	**31,960**	18,864
Welfare and other expenses		**79,959**	71,348
		810,603	739,377
Foreign exchange differences, net		**4,402**	1,820
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	15	**44,875**	37,973

Notes to Financial Statements

6. PROFIT BEFORE TAX *(continued)*

* The amortisation of other intangible assets is included in "Administrative expenses" on the face of the consolidated income statement.

** The impairment of trade receivables and impairment of investment on an associate are included in "Other expenses, net" on the face of the consolidated income statement.

*** At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

7. FINANCE COSTS

	Group	
	2009	2008
	RMB'000	RMB'000
Interest on bank loans	**385,026**	473,321
Interest on corporate bonds	**59,813**	–
Less: Interest capitalised	**(235,711)**	(244,969)
	209,128	228,352

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Fees	**608**	205
Other emoluments:		
Salaries, allowances and benefits in kind	**1,707**	1,461
Performance related bonuses	**2,586**	2,578
Pension scheme contributions	**138**	135
	4,431	4,174
	5,039	4,379

Notes to Financial Statements

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

The remuneration of each of the directors and supervisors for the year ended 31 December 2009 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Jiang Weiping	–	245	338	17	600
Mr. Li Changli	–	221	312	17	550
Mr. Jiang Deyi	–	174	426	17	617
Mr. Zhang Handong	–	21	132	3	156
Mr. Wang Hongjun	–	174	241	17	432
Mr. Duan Jianguo	–	53	70	5	128
Mr. Wang Jianguo	–	53	70	5	128
Mr. Shi Xijun	–	226	277	17	520
Mr. Zhao Jifeng	–	43	55	5	103
Non-executive director:					
Mr. Zhou Yuxian	80	–	–	–	80
Independent non-executive directors:					
Mr. Hu Zhaoguang	132	–	–	–	132
Mr. Zhang Chengfu	132	–	–	–	132
Mr. Yip Wai Ming	132	–	–	–	132
Mr. Xu Yongmo	132	–	–	–	132
Supervisors:					
Mr. Wang Xiaoqun	–	160	279	3	442
Mr. Chen Changying	–	50	–	–	50
Mr. Hu Jingshan	–	50	–	–	50
Mr. Zhang Jie	–	50	–	–	50
Ms. Hong Ye	–	–	–	–	–
Ms. Fan Xiaolan	–	92	167	15	274
Mr. Wang Youbin	–	95	219	17	331
	608	1,707	2,586	138	5,039

Notes to Financial Statements

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

The remuneration of each of the directors and supervisors for the year ended 31 December 2008 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Jiang Weiping	–	196	289	15	500
Mr. Li Changli	–	171	305	15	491
Mr. Duan Jianguo	–	156	327	15	498
Mr. Wang Jianguo	–	155	328	15	498
Mr. Shi Xijun	–	144	327	15	486
Mr. Zhao Jifeng	–	133	328	15	476
Non-executive director:					
Mr. Zhou Yuxian	80	–	–	–	80
Independent non-executive directors:					
Mr. Hu Zhaoguang	25	–	–	–	25
Mr. Zhang Chengfu	50	–	–	–	50
Mr. Xu Yongmo	50	–	–	–	50
Supervisors:					
Mr. Wang Xiaoqun	–	133	328	15	476
Mr. Chen Changying	–	80	–	–	80
Mr. Hu Jingshan	–	80	–	–	80
Mr. Zhang Jie	–	25	–	–	25
Ms. Hong Ye	–	–	–	–	–
Ms. Fan Xiaolan	–	87	161	15	263
Mr. Wang Youbin	–	101	185	15	301
	205	1,461	2,578	135	4,379

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the years is as follows:

	Number of employees	
	2009	2008
Directors and supervisors	**–**	–
Non-director and non-supervisor employees	**5**	5
	5	5

Details of the remuneration of the above non-director and non-supervisor, highest paid employees for the year are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**752**	810
Performance related bonuses	**3,371**	1,793
Pension scheme contributions	**85**	76
	4,208	2,679

The number of non-director and non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**3**	5
HK$1,000,001 to HK$1,500,000	**2**	–
	5	5

Notes to Financial Statements

10. INCOME TAX

	Group 2009 RMB'000	2008 RMB'000
Current		
PRC corporate income tax ("CIT")	**459,880**	223,274
PRC land appreciation tax ("LAT")	**118,438**	105,702
	578,318	328,976
Deferred (note 33)	**188,538**	192,389
Total tax charge for the year	**766,856**	521,365

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate to the tax expense at the effective tax rate and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2009 RMB'000	2009 %	2008 RMB'000	2008 %
Profit before tax	**2,881,962**		1,907,376	
Tax at the statutory corporate income tax rate of 25%	**720,491**	**25.0**	476,844	25.0
Income not subject to tax	**(21,167)**	**(0.7)**	(18,106)	(0.9)
Expenses not deductible for tax	**19,814**	**0.7**	10,203	0.5
Effect of tax concession for certain subsidiaries	**(29,426)**	**(1.0)**	(35,876)	(1.9)
Profits and losses attributable to jointly-controlled entities and associates	**(15,342)**	**(0.5)**	8,598	0.5
Tax losses utilised from previous years	**(206)**	**–**	(556)	–
Tax losses not recognised	**3,864**	**–**	981	–
Land appreciation tax	**118,438**	**4.1**	105,702	5.5
Effect of land appreciation tax	**(29,610)**	**(1.0)**	(26,425)	(1.4)
Tax charge at the Group's effective rate	**766,856**	**26.6**	521,365	27.3

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the year (2008: Nil).

Notes to Financial Statements

10. INCOME TAX *(continued)*

PRC corporate income tax

The PRC corporate income tax in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The share of tax attributable to jointly-controlled entities amounting to RMB24,738,000 (2008: RMB3,788,000 (tax credit)) is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

The share of tax attributable to associates amounting to RMB11,020,000 (2008: RMB6,077,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 50% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2009 includes a profit of RMB444,866,000 (2008: RMB876,792,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2009 **RMB'000**	2008 RMB'000
Proposed final – RMB0.07 (2008: RMB0.04) per ordinary share	**271,133**	112,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Notes to Financial Statements

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of the Company in issue during the year.

	2009 RMB'000	2008 RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**2,035,388**	1,320,816

	Number of Shares 2009	2008
Shares		
Weighted average number of ordinary shares of the Company in issue during the year used in the basic earnings per share calculation	**3.3 billion**	2.2 billion

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

Notes to Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009, net of accumulated depreciation and impairment	**1,913,470**	**1,358,206**	**127,427**	**158,052**	**24,491**	**651,998**	**4,233,644**
Additions	**130,886**	**222,899**	**17,260**	**95,257**	**–**	**1,672,176**	**2,138,478**
Transfers	**644,719**	**621,425**	**1,459**	**12,361**	**–**	**(1,279,964)**	**–**
Disposals	**(55,702)**	**(66,572)**	**(2,187)**	**(13,152)**	**–**	**–**	**(137,613)**
Depreciation	**(96,278)**	**(217,052)**	**(25,137)**	**(31,117)**	**(1,853)**	**–**	**(371,437)**
Acquisition of subsidiaries (note 40)	**526,141**	**497,415**	**17,356**	**26,292**	**–**	**109,773**	**1,176,977**
At 31 December 2009, net of accumulated depreciation and impairment	**3,063,236**	**2,416,321**	**136,178**	**247,693**	**22,638**	**1,153,983**	**7,040,049**
At 1 January 2008, net of accumulated depreciation and impairment	1,662,447	1,377,037	94,019	136,052	25,041	396,674	3,691,270
Additions	101,243	61,456	12,569	51,023	–	735,785	962,076
Transfers	257,297	174,371	44,238	4,364	–	(480,270)	–
Disposals	(34,371)	(117,146)	(1,076)	(11,558)	–	(191)	(164,342)
Depreciation	(74,989)	(157,599)	(23,208)	(19,845)	(550)	–	(276,191)
Impairment charge	(110)	–	(38)	(2,001)	–	–	(2,149)
Acquisition of subsidiaries	1,953	21,819	1,002	694	–	–	25,468
Disposal of subsidiaries	–	(1,732)	(79)	(677)	–	–	(2,488)
At 31 December 2008, net of accumulated depreciation and impairment	1,913,470	1,358,206	127,427	158,052	24,491	651,998	4,233,644

Notes to Financial Statements

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

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2009:							
Cost	**3,919,668**	**4,269,487**	**277,815**	**399,455**	**26,691**	**1,153,983**	**10,047,099**
Accumulated depreciation and impairment	**(856,432)**	**(1,853,166)**	**(141,637)**	**(151,762)**	**(4,053)**	**–**	**(3,007,050)**
Net carrying amount	**3,063,236**	**2,416,321**	**136,178**	**247,693**	**22,638**	**1,153,983**	**7,040,049**
At 31 December 2008:							
Cost	2,405,078	2,446,051	223,161	273,652	26,692	651,998	6,026,632
Accumulated depreciation and impairment	(491,608)	(1,087,845)	(95,734)	(115,600)	(2,201)	–	(1,792,988)
Net carrying amount	1,913,470	1,358,206	127,427	158,052	24,491	651,998	4,233,644

Notes to Financial Statements

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

Company

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009, net of accumulated depreciation	**174,489**	**29,096**	**6,386**	**11,299**	**1,268**	**222,538**
Additions	**52,810**	**711**	**742**	**1,577**	**314,802**	**370,642**
Disposals	**–**	**(4,347)**	**(1,800)**	**(3,150)**	**–**	**(9,297)**
Depreciation	**(7,909)**	**(6,804)**	**(1,000)**	**(2,046)**	**–**	**(17,759)**
At 31 December 2009, net of accumulated depreciation	**219,390**	**18,656**	**4,328**	**7,680**	**316,070**	**566,124**
At 1 January 2008, net of accumulated depreciation	49,440	3,359	5,257	9,153	1,443	68,652
Additions	150,439	26,338	2,182	3,587	1,157	183,703
Transfers	1,332	–	–	–	(1,332)	–
Disposals	(20,356)	–	–	(214)	–	(20,570)
Depreciation	(6,366)	(601)	(1,053)	(1,227)	–	(9,247)
At 31 December 2008, net of accumulated depreciation	174,489	29,096	6,386	11,299	1,268	222,538
At 31 December 2009:						
Cost	**253,232**	**44,062**	**8,403**	**15,573**	**316,070**	**637,340**
Accumulated depreciation	**(33,842)**	**(25,406)**	**(4,075)**	**(7,893)**	**–**	**(71,216)**
Net carrying amount	**219,390**	**18,656**	**4,328**	**7,680**	**316,070**	**566,124**

Notes to Financial Statements

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

Company

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2008:						
Cost	200,422	49,602	11,348	18,245	1,268	280,885
Accumulated depreciation	(25,933)	(20,506)	(4,962)	(6,946)	–	(58,347)
Net carrying amount	174,489	29,096	6,386	11,299	1,268	222,538

Certain property, plant and equipment of the Group and the Company were pledged to secure the loans granted to the Group and the Company (note 42).

As at the approval date of these financial statements, the Group is in the process of applying for or changing registration of the title certificates for certain of the Group's buildings.

15. INVESTMENT PROPERTIES

Group

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2009	**6,995,850**	**413,637**	**7,409,487**
Additions	**2,857**	**136,768**	**139,625**
Transfer from inventories	**61,989**	**–**	**61,989**
Transfers	**550,405**	**(550,405)**	**–**
Disposals	**(81,008)**	**–**	**(81,008)**
Net gain from a fair value adjustment	**665,307**	**–**	**665,307**
At 31 December 2009	**8,195,400**	**–**	**8,195,400**
At 1 January 2008	4,674,001	845,131	5,519,132
Additions	96,761	869,613	966,374
Transfer from inventories	13,115	–	13,115
Transfers	1,301,107	(1,301,107)	–
Net gain from a fair value adjustment	910,866	–	910,866
At 31 December 2008	6,995,850	413,637	7,409,487

Notes to Financial Statements

15. INVESTMENT PROPERTIES *(continued)*

Group

	2009 **RMB'000**	2008 RMB'000
Located in the PRC (excluding Hong Kong) and held under the following lease terms:		
Over 50 years	**170,200**	1,123,220
Between 10 and 50 years	**8,025,200**	6,286,267
	8,195,400	7,409,487

Company

	Completed RMB'000	**Under construction** RMB'000	**Total** RMB'000
At 1 January 2009	**4,629,950**	–	**4,629,950**
Additions	–	**550,405**	**550,405**
Transfers	**550,405**	**(550,405)**	–
Disposals	**(81,008)**	–	**(81,008)**
Net gain from a fair value adjustment	**552,973**	–	**552,973**
At 31 December 2009	**5,652,320**	–	**5,652,320**
At 1 January 2008	1,882,275	–	1,882,275
Additions	176,843	1,276,060	1,452,903
Transfers	1,276,060	(1,276,060)	–
Net gain from a fair value adjustment	1,294,772	–	1,294,772
At 31 December 2008	4,629,950	–	4,629,950

Notes to Financial Statements

15. INVESTMENT PROPERTIES *(continued)*

Company

	2009	2008
	RMB'000	RMB'000
Located in the PRC (excluding Hong Kong) and held under the following lease terms:		
Over 50 years	**–**	–
Between 10 and 50 years	**5,652,320**	4,629,950
	5,652,320	4,629,950

The Group's completed investment properties were revalued on 31 December 2009 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately RMB8,195,400,000 (2008: RMB7,409,487,000) on an open market, existing use basis.

The Company's completed investment properties were revalued on 31 December 2009 by Savills Valuation and Professional Service Limited, independent professionally qualified valuers, at approximately RMB5,652,320,000 (2008: RMB4,629,950,000) on an open market, existing use basis.

Certain investment properties of the Group and the Company were pledged to banks to secure the loans granted to the Group and the Company (note 42).

Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 43(a). The gross rental income received and receivable by the Group and direct expenses in respect of these investment properties are summarised as follows:

	2009	2008
	RMB'000	RMB'000
Gross rental income	**336,416**	296,744
Direct expenses	**(44,875)**	(37,973)
Net rental income	**291,541**	258,771

Notes to Financial Statements

16. LAND USE RIGHTS

Group

	2009 RMB'000	2008 RMB'000
At beginning of year	**1,351,914**	734,506
Additions	**68,796**	635,976
Acquisition of subsidiaries (note 40)	**136,483**	–
Amortisation recognised as expenses	**(29,718)**	(18,568)
Disposals	**(44,396)**	–
At end of year	**1,483,079**	1,351,914
Current portion included in prepayments, deposits and other receivables	**(31,268)**	(23,356)
Non-current portion	**1,451,811**	1,328,558
Located in the PRC (excluding Hong Kong) and held under the following lease terms:		
Over 50 years	**8,844**	11,600
Between 10 and 50 years	**1,474,235**	1,340,314
	1,483,079	1,351,914

Notes to Financial Statements

16. LAND USE RIGHTS *(continued)*

Company

	2009	2008
	RMB'000	RMB'000
At beginning of year	**345,735**	337,091
Additions	**179,801**	41,199
Amortisation recognised as expenses	**(10,752)**	(8,120)
Disposals	**(49,615)**	(24,435)
At end of year	**465,169**	345,735
Current portion included in prepayments, deposits and other receivables	**(11,074)**	(7,867)
Non-current portion	**454,095**	337,868
Located in the PRC (excluding Hong Kong) and held under the following lease terms:		
Over 50 years	**–**	–
Between 10 and 50 years	**465,169**	345,735

The Group's and the Company's certain land use rights were pledged to banks for securing the bank loans granted to the Group and the Company (note 42).

As at the approval date of these financial statements, the Group was in the process of applying for or changing registration of the title certificates for certain of the Group's land use rights.

Notes to Financial Statements

17. GOODWILL

	Group	
	2009	2008
	RMB'000	RMB'000
Cost at beginning of year	**99,171**	99,171
Acquisition of subsidiaries (note 40)	**147,179**	–
At end of year	**246,350**	99,171

Impairment testing of goodwill

Goodwill acquired through business combinations in the amounts of approximately RMB189,816,000 and RMB52,567,000 have been allocated to Hebei Luquan Dongfang Dingxin Cement Co., Ltd. ("Dingxin Cement") cash-generating unit and Hebei Taihang Cement Co., Ltd. ("Taihang Cement") cash-generating unit, respectively, which are under the cement segment, for impairment testing.

The recoverable amounts of the Dingxin Cement and Taihang Cement cash-generating units have been determined based on a value in use calculation using a cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projection are 5.94% (2008: 7.56%).

Key assumptions were used in the value in use calculation of the Dingxin Cement and Taihang Cement cash-generating units at 31 December 2009 and 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions reflect past experience of the management.

Notes to Financial Statements

18. OTHER INTANGIBLE ASSETS

Group

	Computer software RMB'000	Trademarks RMB'000	Others RMB'000	Total RMB'000
31 December 2009				
Cost at 1 January 2009, net of accumulated amortisation	**5,247**	**16,670**	**348**	**22,265**
Additions	**5,729**	**–**	**–**	**5,729**
Amortisation provided during the year	**(1,690)**	**–**	**(182)**	**(1,872)**
At 31 December 2009	**9,286**	**16,670**	**166**	**26,122**
At 31 December 2009:				
Cost	**13,195**	**16,670**	**2,269**	**32,134**
Accumulated amortisation	**(3,909)**	**–**	**(2,103)**	**(6,012)**
Net carrying amount	**9,286**	**16,670**	**166**	**26,122**
31 December 2008				
Cost at 1 January 2008, net of accumulated amortisation	4,577	–	935	5,512
Additions	1,461	16,670	–	18,131
Amortisation provided during the year	(791)	–	(587)	(1,378)
At 31 December 2008	5,247	16,670	348	22,265
At 31 December 2008:				
Cost	7,466	16,670	2,269	26,405
Accumulated amortisation	(2,219)	–	(1,921)	(4,140)
Net carrying amount	5,247	16,670	348	22,265

Notes to Financial Statements

19. MINING RIGHTS

Group

	2009 RMB'000	2008 RMB'000
Cost at beginning of year, net of accumulated amortisation	**89,828**	84,819
Additions	**63,473**	7,550
Acquisition of subsidiaries (note 40)	**2,273**	–
Amortisation provided during the year	**(6,226)**	(2,541)
At end of year	**149,348**	89,828
Cost	**166,050**	93,540
Accumulated amortisation	**(16,702)**	(3,712)
Net carrying amount	**149,348**	89,828

20. INVESTMENTS IN SUBSIDIARIES

Company

	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**6,428,081**	5,436,944

Notes to Financial Statements

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operation and type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Liulihe Cement Co., Ltd. (北京市琉璃河水泥有限公司)	PRC Limited liability company	RMB600,000,000	100	–	Manufacture and sale of cement
BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限責任公司)	PRC Limited liability company	RMB150,000,000	100	–	Hazard waste treatment
Hebei Luquan Dongfang Dingxin Cement Co., Ltd. (河北鹿泉東方鼎鑫水泥有限公司)	PRC Limited liability company	RMB650,000,000	100	–	Manufacture and sale of cement
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	PRC Limited liability company	RMB87,489,143	100	–	Hotel operation
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	PRC Limited liability company	RMB10,000,000	100	–	Property management
BBMG GEM Property Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	PRC Limited liability company	RMB1,000,000,000	100	–	Property development
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	PRC Limited liability company	RMB600,000,000	–	100	Property development
Gaoling Property Development Co., Ltd. ("Gaoling") (北京高岭房地產開發有限公司)	PRC Limited liability company	RMB100,000,000	100	–	Property rental and property management
Beijing Tiantan Corporation (北京天壇股份有限公司)	PRC Limited liability company	RMB87,094,469	93	–	Manufacture and sale of furniture

Notes to Financial Statements

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ registration and operation and type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Tiantan Allied Industrial Development Co., Ltd. (北京天壇聯合實業發展有限責任公司)	PRC Limited liability company	RMB84,173,585	100	–	Manufacture and sales of furniture
Beijing Star Building Materials Co., Ltd. (北京星牌建材有限責任公司)	PRC Limited liability company	RMB314,967,696	100	–	Manufacture and sales of building materials
Beijing Modern Building Materials Co., Ltd. (北京現代建築材料有限責任公司)	PRC Limited liability company	RMB40,000,000	100	–	Manufacture and sales of concrete
Beijing Tongda Refractory Engineering Technology Co., Ltd. (北京通達耐火技術股份有限公司)	PRC Limited liability company	RMB125,326,000	57	–	Manufacture and sales of refractory material
Beijing Buildings Materials Academy Co., Ltd. (北京建築材料科學研究總院有限公司)	PRC Limited liability company	RMB120,000,000	100	–	Manufacture and sale of building materials
Beijing Aerated Concrete Co., Ltd. (北京加氣混凝土有限責任公司)	PRC Limited liability company	RMB86,817,455	100	–	Manufacture and sale of concrete
Beijing Xiliu Building Materials Co., Ltd. (北京市西六建材有限公司)	PRC Limited liability company	RMB111,603,941	100	–	Manufacture and sale of bricks
Beijing Ceramic Plant Co., Ltd. (北京市陶瓷廠有限責任公司)	PRC Limited liability company	RMB56,660,757	100	–	Manufacture and trading of sanitary wares
Beijing Architectural Coating Co., Ltd. (北京市建築塗料廠有限責任公司)	PRC Limited liability company	RMB24,440,626	100	–	Manufacture and sale of paints
Beijing Xiang Brand Walling Materials Co., Ltd. (北京市翔牌牆體材料有限公司)	PRC Limited liability company	RMB40,437,954	100	–	Manufacture and sale of brick

Notes to Financial Statements

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ registration and operation and type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	PRC Limited liability company	RMB54,556,261	100	–	Manufacture and trading of building materials
Beijing Great Wall Furniture Co., Ltd. (北京長城家具有限公司)	PRC Limited liability company	RMB66,135,837	100	–	Trading of furniture and materials
Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司)	PRC Limited liability company	RMB82,923,553	100	–	Property rental and property management
Beijing Jianji Assets Management Co., Ltd. (北京建機資產經營有限公司)	PRC Limited liability company	RMB46,109,973	100	–	Property rental and property management
Hebei Taihang Huaxin Building Materials Co., Ltd ("Taihang Huaxin") (河北太行華信建材有限公司)*	PRC Limited liability company	RMB588,019,103	33.33		Manufacture and sale of limestone
Hebei Taihang Cement Co., Ltd. (河北太行水泥股份有限公司)**	PRC Listed Company in PRC	RMB380,000,000	–	30	Manufacture and sale of cement

The English names of above companies represent management's best effort at translating their Chinese names as no English names have been registered.

Notes:

* The Company acquired 33.33% equity interest in Taihang Huaxin from a third party in July 2008. By virtue of the entrustment arrangement dated 26 July 2008 entered into between the Company and the Parent, the Company has the power to govern the financial and operating policies of Taihang Huaxin. Therefore, Taihang Huaxin is accounted for as a subsidiary of the Company.

** The Group controls the board of directors of Taihang Cement from December 2009 onward, therefore Taihang Cement is accounted for as a subsidiary of the Group.

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

Notes to Financial Statements

21. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2009 **RMB'000**	2008 RMB'000
Share of net assets	**302,720**	342,896
Unrealised profit of sales to a jointly-controlled entity	**(61,395)**	(88,490)
	241,325	254,406

Company

	2009 **RMB'000**	2008 RMB'000
Unlisted shares, at cost	**161,720**	110,971

Particulars of the principal jointly-controlled entities are as follows:

			Percentage of			
Company name	Place of incorporation	Registered share capital	Ownership interest	Voting power	Profit sharing	Principal activities
BBMG Vanke Properrty Development Co., Ltd.* (北京金隅萬科房地產開發有限公司)	PRC	RMB100,000,000	51	51	51	Property development
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	PRC	USD46,520,000	50	50	50	Manufacture of building materials

* *The English name of this company represents management's best effort at translating its Chinese name, as no English name has been registered.*

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes to Financial Statements

21. INTERESTS/INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

The Group's balances with the jointly-controlled entities are disclosed in note 45(b).

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2009	2008
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**135,375**	8,136
Current assets	**549,074**	1,157,715
Current liabilities	**(307,205)**	(618,955)
Non-current liabilities	**(74,524)**	(204,000)
Net assets	**302,720**	342,896

	2009	2008
	RMB'000	RMB'000
Share of the jointly-controlled entities' results*:		
Revenue	**671,017**	59,293
Other revenue	**14,655**	419
Total revenue	**685,672**	59,712
Total expenses	**(638,716)**	(80,331)
Tax	**(24,738)**	3,788
Profit/(loss) after tax	**22,218**	(16,831)

* Excluding the realisation of unrealised profit of sales to a jointly-controlled entity.

Notes to Financial Statements

22. INTERESTS/INVESTMENTS IN ASSOCIATES

Group

	2009	2008
	RMB'000	RMB'000
Share of net assets		
– listed in the PRC	**–**	436,831
– unlisted shares	**322,304**	358,406
	322,304	795,237
Provision for impairment	**(5,469)**	–
	316,835	795,237
Market value of investments in associates		
– listed in the PRC (Note)	**–**	585,960

Note:

In July 2008, the Group acquired control over Taihang Huaxin, which in turn holds a 30% interest in Taihang Cement, and accounted Taihang Cement as an associate. In December 2009, the Group controlled the board of the directors of Taihang Cement and accounted Taihang Cement as its subsidiary.

Company

	2009	2008
	RMB'000	RMB'000
Unlisted equity investments, at cost	**327,208**	336,804
Provision for impairment	**(42,206)**	–
	285,002	336,804

Notes to Financial Statements

22. INTERESTS/INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Company name	Place of incorporation	Registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	PRC	USD57,380,000	30	Manufacture and sale of wooden building materials
Zehnder (China) Indoor Climate Co., Ltd. (formerly known as Beijing Zehnder Radiators Co., Ltd.) (森德(中國)暖通設備有限公司)	PRC	USD27,500,000	27	Manufacture of anti-heat materials
OCV Reinforcements (Beijing) Co., Ltd (formerly known as Beijing Saint-Gobain Glass Wool Co., Ltd.) (歐文斯科寧複合材料(北京)有限公司)	PRC	RMB276,003,336	20	Manufacture of fiber-glass materials
Beijing Gaoqiang Concrete Co., Ltd. * (北京市高強混凝土有限責任公司)	PRC	RMB54,999,866	25	Manufacture of concrete

* The English name of this company represents management's best effort at translating the Chinese name of the company, as no English name has been registered.

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

The Group's balances with the associates are disclosed in note 45(b).

Notes to Financial Statements

22. INTERESTS/INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2009 RMB'000	2008 RMB'000
Assets	1,914,344	4,218,431
Liabilities	728,597	2,002,590
Revenue	3,278,123	2,318,807
Profit/(loss)	58,623	(45,800)

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
PRC listed equity investments, at fair value:	4,766	–	–	–
Unlisted equity investments, at cost	12,645	14,985	8,194	8,194
	17,411	14,985	8,194	8,194

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB2,419,000 (2008: Nil).

The fair value of listed equity investments are based on quoted market prices. The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Notes to Financial Statements

24. INVENTORIES

Group

	Notes	2009 RMB'000	2008 RMB'000
Raw materials		**387,855**	251,382
Work-in-progress		**162,221**	155,437
Finished goods		**317,765**	246,999
Trading stock		**171,895**	163,606
		1,039,736	817,424
Properties under development	(a)	**5,737,861**	4,645,412
Completed properties held for sale	(b)	**921,229**	885,087
		6,659,090	5,530,499
		7,698,826	6,347,923

(a) Properties under development

	2009 RMB'000	2008 RMB'000
Properties under development expected to be recovered:		
Within one year	**3,644,155**	3,866,699
After more than one year	**2,093,706**	778,713
	5,737,861	4,645,412

The Group's properties under development were located in the PRC and certain properties under development were pledged to banks for securing the loans granted to the Group (note 42).

(b) Completed properties held for sale

The Group's completed properties held for sale are located in the PRC. All completed properties held for sale are stated at cost.

Notes to Financial Statements

25. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**1,450,289**	1,139,681	**–**	270,217
Bills receivable	**389,772**	182,348	**–**	12,214
Less: Impairment provision	**(226,803)**	(182,285)	**–**	(29,942)
	1,613,258	1,139,744	**–**	252,489

The Group grants different credit periods to customers in different segments. In the cement and modern building materials segments, the credit periods are generally three months, extending up to nine months for major customers. In the property development segment, consideration in respect of properties sold are payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. Trade receivables from related parties are repayable in accordance with the relevant contracts entered into between the Group and the respective related parties. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, net of provisions, is as follows:

Group

	2009	2008
	RMB'000	RMB'000
Within 6 months	**808,698**	493,585
7 to 12 months	**307,280**	346,801
1 to 2 years	**77,995**	85,497
2 to 3 years	**15,610**	24,575
Over 3 years	**15,903**	6,938
	1,223,486	957,396

Notes to Financial Statements

25. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in the provision for impairment of trade receivables of the Group are as follows:

Group

	2009 **RMB'000**	2008 RMB'000
At beginning of year	**182,285**	164,707
Impairment losses recognised (note 6)	**33,971**	38,571
Acquisitions of subsidiaries	**63,106**	6,895
Disposals of subsidiaries	**–**	(164)
Amount written off as uncollectible	**(45,973)**	(18,463)
Impairment losses reversed (note 6)	**(6,586)**	(9,261)
At end of year	**226,803**	182,285

Included in the above provision for impairment of trade receivables of the Group is a provision for individually impaired trade receivables of RMB26,254,000 as at 31 December 2009 (2008: RMB19,127,000) with a carrying amount before provision of RMB53,257,000 (2008: RMB36,135,000). The individually impaired trade receivables related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of trade receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

Group

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	**676,168**	594,042
Past due but not impaired:		
Less than 3 months past due	**208,687**	54,556
3 to 6 months past due	**153,064**	100,353
Over 6 months past due	**79,660**	96,353
	1,117,579	845,304

Notes to Financial Statements

25. TRADE AND BILLS RECEIVABLES *(continued)*

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables of the Company as at the end of the reporting period, net of provisions, is as follows:

Company

	2009	2008
	RMB'000	RMB'000
Within 6 months	–	218,460
7 to 12 months	–	12,661
1 to 2 years	–	9,154
	–	240,275

The movements in provision for impairment of trade receivables of the Company are as follows:

Company

	2009	2008
	RMB'000	RMB'000
At beginning of year	**29,942**	8,097
Impairment losses recognised	–	21,845
Transfer to a subsidiary	**(29,942)**	–
At end of year	–	29,942

No provision for individually impaired trade receivables is included in the above provision for impairment of trade receivables.

Notes to Financial Statements

25. TRADE AND BILLS RECEIVABLES *(continued)*

The aged analysis of trade receivables of the Company that are neither individually nor collectively considered to be impaired are as follows:

Company

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	–	218,233
Past due but not impaired:		
Less than 3 months past due	–	12,661
	–	230,894

During the year, the Company transferred its cement distribution operation to a subsidiary. All the related trade receivables and impairment provision were transferred accordingly.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Group		**Company**	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Prepayments	715,676	397,377	–	17,812
Deposits	745,062	216,234	–	–
Due from subsidiaries	–	–	3,952,787	2,394,203
Due from the Parent and its subsidiaries excluding the Group ("Parent Group")	277,551	–	277,551	–
Other receivables	671,330	885,980	191,278	83,011
	2,409,619	1,499,591	4,421,616	2,495,026

Except for the amounts due from jointly-controlled entities included in the Group's other receivables of RMB86,739,000 (2008: RMB331,569,000), which bear interest at market rates, the above balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

None of the above assets is either past due or impaired. The financial assets included in above balances related to receivables for which there was no resent history of default.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**5,619,736**	1,980,722	**3,402,281**	530,266
Time deposits		**22,620**	36,928	**7,500**	9,787
		5,642,356	2,017,650	**3,409,781**	540,053
Less: Restricted cash	(a)	**(142,747)**	(135,753)	**–**	–
		5,499,609	1,881,897	**3,409,781**	540,053
Denominated in RMB	(b)	**3,936,939**	2,013,668	**1,716,126**	538,781
Denominated in other currencies		**1,705,417**	3,982	**1,693,655**	1,272
		5,642,356	2,017,650	**3,409,781**	540,053

Notes:

(a) Restricted cash includes the following amounts:

(i) At the end of the reporting period, the Group's bank balances of RMB69,245,000 (2008: RMB51,583,000) were deposited at banks as guarantee deposits for certain mortgage loans to customers.

(ii) At the end of the reporting period, the Group's bank balances held in dedicated bank accounts under the name of the Group of RMB73,502,000 (2008: RMB84,170,000), were deposited as guarantee deposits for the issuance of bank acceptance notes to suppliers.

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

28. TRADE AND BILLS PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**2,142,326**	1,827,232	**30,656**	240,004
Bills payable	**143,137**	134,380	**–**	–
	2,285,463	1,961,612	**30,656**	240,004

The trade payables are non-interest-bearing. The average credit period for trade purchases is 60 days to 90 days. The credit terms granted by the related parties are similar to those granted by unrelated parties.

An aged analysis of the trade payables of the Group and the Company as at the end of the reporting period, based on the invoice date, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**1,107,151**	857,058	**30,656**	239,252
4 to 6 months	**338,564**	88,475	**–**	–
7 to 12 months	**263,749**	584,898	**–**	752
1 to 2 years	**349,991**	227,083	**–**	–
2 to 3 years	**34,571**	47,297	**–**	–
Over 3 years	**48,300**	22,421	**–**	–
	2,142,326	1,827,232	**30,656**	240,004

Included in the above balances of the Company are the amounts due to subsidiaries of the Company of approximately RMB2,452,000 (2008: RMB233,558,000).

Notes to Financial Statements

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Receipt in advance and deposits received	**3,768,704**	2,692,184	**24,735**	173,367
Accruals	**1,210,699**	1,264,399	**–**	–
Due to the Parent Group	**–**	740,553	**–**	186,837
Due to subsidiaries	**–**	–	**2,697,430**	2,226,534
Other payables	**756,608**	1,088,894	**237,629**	142,329
	5,736,011	5,786,030	**2,959,794**	2,729,067

The above balances are non-interest-bearing and have no fixed terms of repayment.

30. INTEREST-BEARING BANK LOANS

Group

	2009			2008		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured (note 42(a))	**4.37-7.92**	**2010**	**719,600**	5.02-9.71	2009	1,958,200
Bank loans – unsecured	**4.78-5.31**	**2010**	**277,000**	6.93-7.47	2009	2,000,000
Current portion of long term bank loans – secured (note 42(a))	**4.86-7.56**	**2010**	**1,424,000**	5.10-8.32	2009	1,194,000
			2,420,600			5,152,200
Non-current						
Bank loans – secured (note 42(a))	**3.59-7.56**	**2011-2015**	**3,724,546**	5.40-9.59	2010-2013	1,872,700
			6,145,146			7,024,900

Notes to Financial Statements

30. INTEREST-BEARING BANK LOANS *(continued)*

Company

	2009			2008		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured (note 42(c))	4.37-5.31	2010	150,000	5.02-5.58	2009	1,178,000
Bank loans – unsecured	4.78-5.31	2010	230,000	6.93-7.47	2009	2,000,000
Current portion of long term bank loans – secured (note 42(c))	4.86-5.18	2010	320,000	5.40-5.76	2009	120,000
			700,000			3,298,000
Non-current						
Bank loans – secured (note 42(c))	4.86-5.18	2011-2013	1,650,000	5.40-5.76	2010-2013	400,000
			2,350,000			3,698,000

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	2,420,600	5,152,200	700,000	3,298,000
In the second year	1,921,846	1,322,000	740,000	100,000
In the third to fifth years, inclusive	1,802,700	550,700	910,000	300,000
Beyond five years	–	–	–	–
	6,145,146	7,024,900	2,350,000	3,698,000

All bank loans are denominated in RMB.

Certain bank loans are secured by the Group's assets, details of which are disclosed in note 42.

Notes to Financial Statements

30. INTEREST-BEARING BANK LOANS *(continued)*

The directors of the Company estimate the fair value of the bank loans by discounting their future cash flows at the market rate. The directors of the Company consider that the carrying amounts of the Group's current borrowings and non-current borrowings approximate to their fair values at the end of the reporting period.

31. TAX RECOVERABLE/TAXES PAYABLE

(a) Tax recoverable

Group

	2009	2008
	RMB'000	RMB'000
Prepaid LAT	**20,412**	20,953

(b) Taxes payable

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
CIT payable	**331,472**	156,887	**–**	–
LAT payable	**259,238**	164,372	**49,255**	–
	590,710	321,259	**49,255**	–

32. CORPORATE BONDS

The Company issued seven-year corporate bonds of RMB1.9 billion in aggregate (the "Bonds") to corporate investors in the PRC in April 2009. The Bonds bear a fixed interest rate of 4.32% per annum and interest is paid annually. The Bonds are guaranteed by the Beijing State-owned Capital Operation Management Centre, an entity administered by the Beijing SASAC. The holders of the Bonds are entitled to a redemption right exercisable at the expiry of the fifth anniversary of the issuance date. The Bonds are stated at amortised cost as at the end of the reporting period.

Notes to Financial Statements

33. DEFERRED TAX

The followings are the major deferred tax assets/(liabilities) recognised and their movements during the year:

Group

	Depreciation allowance in excess of related depreciation RMB'000	Provision for impairment of assets RMB'000	Revaluation of properties RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Provision of LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	**(143,821)**	**41,134**	**(752,174)**	**(95,497)**	**38,036**	**75,665**	**(836,657)**
Credited/(charged) to the consolidated income statement during the year (note 10)	**(39,797)**	**6,024**	**(165,909)**	**922**	**23,153**	**(12,931)**	**(188,538)**
Acquisition of subsidiaries	**–**	**19,736**	**–**	**23,994**	**–**	**–**	**43,730**
Deferred tax debited to equity during the year	**–**	**–**	**–**	**–**	**–**	**(605)**	**(605)**
At 31 December 2009	**(183,618)**	**66,894**	**(918,083)**	**(70,581)**	**61,189**	**62,129**	**(982,070)**

	Depreciation allowance in excess of related depreciation RMB'000	Provision for impairment of assets RMB'000	Revaluation of properties RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Provision of LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	(113,514)	23,808	(524,273)	(42,307)	13,354	52,694	(590,238)
Credited/(charged) to the consolidated income statement during the year (note 10)	(30,307)	17,326	(227,901)	840	24,682	22,971	(192,389)
Acquisition of Taihang Huaxin	–	–	–	(54,030)	–	–	(54,030)
At 31 December 2008	(143,821)	41,134	(752,174)	(95,497)	38,036	75,665	(836,657)

	2009 RMB'000	2008 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**231,580**	119,199
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,213,650)**	(955,856)
	(982,070)	(836,657)

Notes to Financial Statements

33. DEFERRED TAX *(continued)*

Company

	Depreciation allowance in excess of related depreciation RMB'000	Revaluation of properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	**(56,890)**	**(469,214)**	**18,672**	**(507,432)**
Charged to the income statement during the year	**(27,502)**	**(138,315)**	**(6,359)**	**(172,176)**
At 31 December 2009	**(84,392)**	**(607,529)**	**12,313**	**(679,608)**

	Depreciation allowance in excess of related depreciation RMB'000	Revaluation of properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	(18,428)	(172,816)	–	(191,244)
Charged to the income statement during the year	(38,462)	(296,398)	18,672	(316,188)
At 31 December 2008	(56,890)	(469,214)	18,672	(507,432)

The Group has unutilised tax losses of approximately RMB15,456,000 at 31 December 2009 (2008: RMB112,849,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. No deferred tax assets have been recognised in respect of such losses at 31 December 2009 (2008: RMB24,805,000) due to the unpredictability of future profit streams.

The Company has no unutilised tax losses at 31 December 2009 (2008: RMB79,226,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profit. The amount of deferred tax assets recognised in respect of such losses was nil at 31 December 2009 (2008: RMB18,465,000).

Notes to Financial Statements

34. PROVISION FOR SUPPLEMENTARY PENSION SUBSIDIES AND EARLY RETIREMENT BENEFITS

The Group pays supplementary pension subsidies to its employees in the PRC who retired prior to 31 December 2007. Subsequent to 31 December 2007, the Group terminated the supplementary pension subsidies plan for its employees who retire after 31 December 2007. In addition, the Group is committed to make periodic benefit payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2007.

The amount of provision for supplementary pension subsidies and early retirement benefits recognised in the statement of financial position are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Present value of unfunded defined benefit obligations	**595,452**	689,058	**559,743**	649,381
Unrecognised net actuarial gains/(losses)	**9,133**	(84,969)	**14,430**	(75,780)
Net liabilities arising from defined benefit obligations	**604,585**	604,089	**574,173**	573,601
Portion classified as current liabilities	**(42,156)**	(45,761)	**(38,698)**	(42,035)
Non-current portion	**562,429**	558,328	**535,475**	531,566

The movements in the present value of the defined benefit obligations during the year are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**689,058**	648,084	**649,381**	606,156
Interest cost	**22,337**	28,362	**21,121**	26,594
Actuarial loss/(gain) during the year	**(84,479)**	75,246	**(84,789)**	67,757
Benefits paid during the year	**(31,464)**	(35,604)	**(25,970)**	(30,344)
Past service cost	**–**	(9,727)	**–**	(3,479)
Transfer to the Parent (note)	**–**	(17,303)	**–**	(17,303)
At end of year	**595,452**	689,058	**559,743**	649,381

Notes to Financial Statements

34. PROVISION FOR SUPPLEMENTARY PENSION SUBSIDIES AND EARLY RETIREMENT BENEFITS *(continued)*

Note:

Pursuant to an agreement entered into between the Company and the Parent in December 2008, the Parent has agreed to undertake the retirement benefits obligations of certain retirees and in return, the Company paid the Parent for an amount equal to the carrying amount of the related retirement benefits obligations of those retirees. Therefore, the relevant portion of the retirement benefits obligations were released from the Company.

The net expenses recognised in the income statement are analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest cost	**22,337**	28,362	**21,121**	26,594
Past service cost	**–**	(9,727)	**–**	(3,479)
Actuarial loss	**9,623**	229	**5,421**	–
Net expenses	**31,960**	18,864	**26,542**	23,115
Recognised in administrative expenses (note 6)	**31,960**	18,864	**26,542**	23,115

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Watson Wyatt Consultancy Shanghai, Beijing Branch, a Towers Watson Company, using the projected unit credit method. The material actuarial assumptions used in valuing these obligations are as follows:

	2009	2008
	RMB'000	RMB'000
Discount rate	**3.75% – 4.00%**	3.00% – 3.25%
Early retirees' salary increase rate	**8.00%**	9.00%
Supplemental benefits increase rate	**2.25%**	2.25%

Notes to Financial Statements

35. DEFERRED INCOME

Deferred income is related to government grants received for the purpose of providing financial subsidies for the improvement of manufacturing facilities and the construction of new factory premises, which would be recognised as income over the weighted average of the expected useful life of the relevant property, machinery and equipment.

The movements of deferred income as stated under current and non-current liabilities during the year are as follows:

Group

	2009 **RMB'000**	2008 RMB'000
Carrying amount at beginning of year	**314,176**	72,314
Additions during the year	**66,105**	260,365
Released to the income statement during the year (note 5)	**(34,960)**	(18,503)
Carrying amount at end of year	**345,321**	314,176
Current portion included in other payables and accruals	**(22,784)**	(9,398)
Non-current portion	**322,537**	304,778

36. OTHER NON-CURRENT LIABILITIES

As at 31 December 2009, included in the Group's "Other non-current liabilities" was a balance of approximately RMB140,292,000 (2008: RMB227,000,000) relating to government grants received by the Group for the relocation of its manufacturing plants. The government grants will be used for payment of relocation expenses and purchases of assets. The balance will be set off with the expenses incurred or credited to deferred income in accordance with the Group's accounting policy upon the fulfillment of the attaching conditions of the government grants.

Notes to Financial Statements

37. ISSUED CAPITAL

Company

	2009	2008
	RMB'000	RMB'000
Registered, issued and fully paid:		
Unlisted domestic and foreign shares of RMB1.00 each	**2,703,950**	2,800,000
H shares of RMB1.00 each	**1,169,383**	–
	3,873,333	2,800,000

A summary of the transactions during the year is as follow:

	Number of shares in issue	Issued capital	Share premium account	Total
		RMB'000	RMB'000	RMB'000
At 1 January 2008	1,800,000	1,800,000	830,342	2,630,342
Issue of shares (note (a))	1,000,000	1,000,000	1,600,000	2,600,000
At 31 December 2008 and 1 January 2009	2,800,000	2,800,000	2,430,342	5,230,342
Issue of H shares (notes (b), (c))	1,073,333	1,073,333	4,961,827	6,035,160
Share issue expenses	–	–	(317,882)	(317,882)
At 31 December 2009	**3,873,333**	**3,873,333**	**7,074,287**	**10,947,620**

Notes:

(a) On 25 July 2008, the registered share capital of the Company increased from RMB1,800 million to RMB2,800 million. During the year ended 31 December 2008, proceeds of approximately RMB2,600 million were received for the issuance of 1,000 million shares of the Company, with RMB1,000 million and RMB1,600 million credited to the share capital and share premium account, respectively.

(b) In July 2009, the Company issued 933,333,000 H shares at HK$6.38 per H share of the Company, which raised total gross proceeds of approximately HK$5.95 billion. The H shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 July 2009. On 29 July 2009, the Parent, Tianjin Building Materials (Holdings) Co., Ltd. and China Cinda Asset Management Corporation converted 83,521,718 domestic shares of the Company into H shares and transferred the share to the National Council for Social Security Fund (the "NSSF").

(c) On 29 July 2009, the over-allotment option of H shares was exercised and an additional 139,999,500 H shares were issued at HK$6.38 per H share of the Company, which were listed on the Stock Exchange on 6 August 2009. The gross proceeds from the issuance of these H shares amounted to approximately HK$893 million. On 6 August 2009, the Parent, Tianjin Building Materials (Holding) Co., Ltd. and China Cinda Asset Management Corporation converted its 12,528,217 domestic shares of the Company into H shares and transferred the shares to the NSSF.

Notes to Financial Statements

38. RESERVES

(a) Group

The changes in the reserves of the Group during the year have been disclosed in the consolidated statement of changes in equity.

(b) Company

The changes in the reserves of the Company during the year were as follows:

	Share premium RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2008	830,342	157,415	–	987,757
Issue of shares	1,600,000	–	–	1,600,000
Profit appropriation to reserves	–	(1,115)	1,115	–
Total comprehensive income for the year	–	1,215,919	–	1,215,919
Proposed 2008 final dividend	–	(112,000)	–	(112,000)
At 31 December 2008 and 1 January 2009	**2,430,342**	**1,260,219**	**1,115**	**3,691,676**
Issue of shares	**4,643,945**	**–**	**–**	**4,643,945**
Total comprehensive income for the year	**–**	**600,589**	**–**	**600,589**
Proposed 2009 final dividend	**–**	**(271,133)**	**–**	**(271,133)**
At 31 December 2009	**7,074,287**	**1,589,675**	**1,115**	**8,665,077**

Statutory reserve

In accordance with the PRC Company Law, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises and other related regulations issued by the Ministry of Finance of the People's Republic of China applicable to the Company, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase paid-up capital/ issued capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Notes to Financial Statements

39. NON-CURRENT ASSETS HELD FOR SALE

The Group had 50% equity interests in Jinjian (Tainjin) Property Investment Co., Ltd. ("Tianjin Jinjian"), a jointly-controlled entity of the Group. In September 2009, the Group entered into an agreement with Tanggu Factory Company (a wholly-owned subsidiary of Tianjin Building Materials (Holding) Co., Ltd., which is one of the promoters of the Company), pursuant to which the Group conditionally agreed to transfer to Tanggu Factory Company the 50% equity interest in Tianjin Jinjian. As at the end of the reporting period, the Group and Tanggu Factory Company are in the process of applying for approval from relevant authorities in respect of such a transfer of equity interest. Subsequent to the end of the reporting period, the transfer of equity interest of Tianjin Jinjian was completed.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Acquisition of subsidiaries during the year ended 31 December 2009

(i) During the year, the Group had obtained the control of the following companies:

(1) In July 2008, the Group acquired the control over Taihang Huaxin, which in turn holds a 30% interest in Taihang Cement, and the Group accounted Taihang Cement as an associate. In December 2009, the Group obtained the control over the board of directors of Taihang Cement and therefore, accounted Taihang Cement as a subsidiary of the Group. Taihang Cement is engaged in the manufacture and sale of cement.

(2) Beijing ALAVUS Building Energy Conservation Product Limited ("ALAVUS") was an associate of the Company and become a subsidiary after the Company's acquisition of an additional 10% interest from a third party during the year. ALAVUS is engaged in the manufacture and sale of building materials. The purchase consideration for the acquisition of RMB2,800,000 was paid in the form of cash at the acquisition date.

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2009 *(continued)*

(i) *(continued)*

The fair values of the identifiable assets and liabilities of Taihang Cement and ALAVUS as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition RMB'000	**Previous carrying amount** RMB'000
Property, plant and equipment	1,176,977	1,176,977
Mining right	2,273	2,273
Land use rights	136,483	34,262
Goodwill	2,345	2,345
Deferred tax assets	19,736	19,736
Inventories	212,322	212,322
Trade and bills receivables	319,185	319,185
Prepayments, deposits and other receivables	146,138	146,138
Cash and bank balances	361,761	361,761
Trade and bills payables	(256,804)	(256,804)
Other payables and accruals	(353,587)	(353,587)
Interest-bearing bank and other loans	(608,600)	(608,600)
Taxes payable	(12,695)	(12,695)
Deferred tax liabilities	(30,036)	(4,481)
Net assets acquired at the date of acquisition	1,115,498	1,038,832
Minority interests	(736,628)	
Revaluation surplus arising from business combination achieved in stages	(1,248)	
Goodwill on acquisition	50,222	
	427,844	
Satisfied by:		
Cash	2,800	
Interests in associates	425,044	
	427,844	

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2009 *(continued)*

(i) *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisitions of Taihang Cement and ALAVUS is as follows:

	2009 RMB'000
Cash consideration	(2,800)
Cash and bank balances acquired	361,761
Net inflow of cash and cash equivalents in respect of the acquisitions of Taihang Cement and ALAVUS	358,961

The contribution of Taihang Cement and ALAVUS to the Group's revenue and to the Group's profit before tax for the year between the date of acquisition and the end of the reporting period are as follows:

	2009 RMB'000
Group's revenue	16,095
Group's profit before tax	1,724

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group would have been as follows:

	2009 RMB'000
Group's revenue	13,660,281
Group's profit before tax	3,013,954

(ii) During the year, the Group completed all the procedures relating to the acquisition of the 97.7% interest in Dingxin Cement from China National Complete Plant Import & Export Corp. Ltd.. The final consideration of the acquisition was determined and settled before the end of the reporting period. The additional consideration is recorded as additional goodwill on acquisition of RMB94,612,000.

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2008

In March 2008, the Group acquired an additional 50% equity interest in BBMG Logistics Co., Ltd. ("BBMG Logistics"). Before such further acquisition of equity interest, BBMG Logistics is a jointly-controlled entity of the Group which is engaged in the provision of freight agency and storage services.

In May 2008, the Group acquired an additional 51% equity interest in Beijing Sanchong Mirrors Co., Ltd. ("Sanchong Mirrors"). Sanchong Mirrors is an associate of the Group before the Group's further acquisition of equity interest in Sanchong Mirrors. Sanchong Mirrors is engaged in the manufacture and sale of mirrors and decorative glass.

The fair values of the identifiable assets and liabilities of BBMG Logistics and Sanchong Mirrors as at the date of acquisition approximate to the corresponding carrying amounts immediately before the relevant acquisitions, details were as follows:

	2008 RMB'000
Property, plant and equipment	21,827
Inventories	6,559
Trade and bills receivables	6,396
Prepayments, deposits and other receivables	3,172
Cash and bank balances	10,802
Trade and bills payables	(1,718)
Other payables and accruals	(18,555)
Taxes payable	(170)
	28,313
Interests in jointly-controlled entities	(1,500)
Total consideration	26,813
Satisfied by:	
Cash	1,504
Amount due from an associate	25,309
	26,813

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2008 *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisitions is as follows:

	2008 RMB'000
Cash and bank balances acquired	10,802
Cash consideration	(1,504)
Net inflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	9,298

The acquirees' contributions to the Group's revenue and the Group's profit before tax for the period between the date of acquisition and the end of the reporting period are as follows:

	2008 RMB'000
Group's revenue	71,688
Group's profit before tax	3,863

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit before tax of the Group would have been as follows:

	2008 RMB'000
Group's revenue	8,566,664
Group's profit before tax	1,904,289

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposals of subsidiaries

(i) The net assets of the subsidiaries disposed of to the Parent during the year ended 31 December 2008 were as follows:

	2008 RMB'000
Net assets disposed of:	
Property, plant and equipment	2,463
Trade and bills receivables	96
Cash and bank balances	21,436
Other receivables	11,272
Trade and bills payables	(7,433)
Interest-bearing bank loans	(129)
Other payables and accruals	(15,352)
	12,353
Satisfied by:	
Amount due from the Parent	12,353

An analysis of the net outflow of cash and cash equivalents in respect of the disposals of subsidiaries to the Parent during the year ended 31 December 2008 is as follows:

	2008 RMB'000
Cash consideration received	–
Cash and bank balances disposed of	(21,436)
Net outflow of cash and cash equivalents in respect of the disposals of subsidiaries to the Parent	(21,436)

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Disposals of subsidiaries *(continued)*

(ii) The net assets of the subsidiaries disposed of to third parties during the year ended 31 December 2008 were as follows:

	2008 RMB'000
Net assets disposed of:	
Property, plant and equipment	25
Cash and bank balances	1,020
Prepayments, deposits and other receivables	3,572
Trade and bills payables	(424)
Other payables and accruals	(921)
	3,272
Gain/(loss) on disposals of subsidiaries	(3,272)
	–
Satisfied by:	
Cash	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposals of subsidiaries to third parties during the year ended 31 December 2008 is as follows:

	2008 RMB'000
Cash consideration received	–
Cash and bank balances disposed of	(1,020)
Net outflow of cash and cash equivalents in respect of disposals of subsidiaries to third parties	(1,020)

Notes to Financial Statements

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Major non-cash transactions

(i) The non-cash capital contributions made by the minority shareholders of the subsidiaries of the Group during the year ended 31 December 2008 were in the form of assets of approximately RMB40,056,000.

(ii) During the year ended 31 December 2008, the Group undertook from an associate of the Parent which is a subsidiary of a third party a loan in exchange for taking over certain trade receivables. Through the settlement of the aforesaid loan and the realisation of the trade receivables, a gain of approximately RMB110 million was recognised during the year ended 31 December 2008.

41. CONTINGENT LIABILITIES

(a) The Group and the Company had the following contingent liabilities not provided for as at the end of the reporting period:

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	(i)	**1,731,931**	748,037	**–**	–
Guarantees given to banks in connection with loans granted to the Parent Group	(ii)	**–**	15,600	**–**	15,600
Guarantees given to banks in connection with loans granted to subsidiaries	(ii)	**–**	–	**3,112,546**	3,343,600
		1,731,931	763,637	**3,112,546**	3,359,200

Notes to Financial Statements

41. CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

Notes:

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made in these financial statements for the guarantees.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider the risk of default in payment is remote, and therefore no provision for the guarantees has been made in these financial statements.

(b) The Group had contingent liabilities in relation to the transfer of certain other payables balances to the Parent in an aggregate amount of approximately RMB176.3 million (2008: RMB176.3 million). The Group may remain liable if the Parent fails to fulfill its obligations in respect of these transferred liabilities. Pursuant to an indemnification undertaking, the Parent has agreed to indemnify the Group in respect of any loss or damage relating to the transferred liabilities as mentioned above.

(c) The Group had contingent liabilities in relation to not having proper legal title to certain of its properties. The Group may be subject to penalties, lawsuits or other actions taken against the Group. No provision has been made for such potential legal proceedings and claims as the outcome of the legal proceedings and claims cannot be reasonably estimated and management believes that the probability of loss is remote. The Parent has agreed to indemnify the Group in respect of any loss or damage relating to the defective title certificate.

42. PLEDGE OF ASSETS

(a) At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	2009 **RMB'000**	2008 RMB'000
Investment properties	**4,394,600**	2,023,507
Property, plant and equipment	**250,569**	192,570
Land use rights	**44,456**	76,835
Properties under development	**1,756,340**	2,437,173
	6,445,965	4,730,085

Notes to Financial Statements

42. PLEDGE OF ASSETS *(continued)*

(b) At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Parent:

	2009 RMB'000	2008 RMB'000
Investment properties	–	941,870
Property, plant and equipment	–	3,684
Land use rights	–	1,125
	–	946,679

(c) At the end of the reporting period, the following assets of the Company were pledged to certain banks for securing the loans granted to the Company:

	2009 RMB'000	2008 RMB'000
Investment properties	**4,022,400**	1,545,700
Property, plant and equipment	**51,390**	6,901
Land use rights	**20,775**	2,154
	4,094,565	1,554,755

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 19 years.

At 31 December 2009, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Within one year	**413,654**	278,009	**237,926**	158,161
In the second to fifth years, inclusive	**673,402**	470,493	**378,236**	229,999
After five years	**463,513**	337,466	**99,856**	124,196
	1,550,569	1,085,968	**716,018**	512,356

Notes to Financial Statements

43. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group and the Company lease certain of their office properties, factories and machinery under operating lease arrangements. Leases for the properties are negotiated for terms ranging from 1 to 8 years.

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**26,061**	22,473	**2,700**	2,700
In the second to fifth years, inclusive	**61,404**	55,952	**6,075**	10,800
After five years	**45,275**	71,635	**–**	675
	132,740	150,060	**8,775**	14,175

44. COMMITMENTS

In addition to the operating lease commitment detailed in note 43(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
Acquisition of Property, plant and equipment	**165,403**	306,396	**–**	–
Construction of Properties being developed by the Group for sale	**1,522,822**	1,695,067	**–**	–
Capital contribution to a jointly-controlled entity	**–**	50,801	**–**	50,801
	1,688,225	2,052,264	**–**	50,801

Notes to Financial Statements

45. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2009	2008
	RMB'000	RMB'000
Sale of goods to the Parent Group	**69,002**	44,410
Sale of goods to jointly-controlled entities	**18,561**	24,597
Sale of goods to associates	**166,532**	198,406
Purchase of goods from the Parent Group	**393,117**	228,769
Purchase of goods from jointly-controlled entities	**22,432**	29,344
Purchase of goods from associates	**454,349**	330,470
Purchase of services from the Parent Group	**15,467**	34,855
Purchase of trademarks from the Parent Group	**–**	16,670
Purchase of property, plant and equipment from the Parent Group	**118,617**	–
Rental income from jointly-controlled entities	**2,328**	1,940
Rental income from associates	**27,776**	33,123
Rental expense to the Parent Group	**8,604**	7,068
Interest income from a jointly-controlled entity	**8,896**	28,911
Sale of property, plant and equipment and land use rights to the Parent Group	**119,927**	120,934
Render of services to the Parent Group	**3,080**	–

Notes to Financial Statements

45. RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant related party transactions *(continued)*

In the opinion of the directors of the Company, the transactions between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(b) Outstanding balances with related parties

	2009 RMB'000	2008 RMB'000
Trade receivables due from		
– The Parent Group	**87,704**	–
– Associates	**107**	8,503
Other receivables due from		
– The Parent Group	**277,551**	–
– Jointly-controlled entities	**129,348**	336,569
– Associates	**8,389**	17,265
Trade payables due to		
– The Parent Group	**14,944**	–
– Jointly-controlled entity	**4,256**	–
– Associates	**–**	3,814
Other payables due to		
– The Parent Group	**–**	740,553
– Associates	**–**	2,066

Except for the amounts due from jointly-controlled entities of approximately RMB86,739,000 in aggregate (2008: RMB331,569,000), which are interest-bearing, the above balances are non-interest-bearing.

(c) Compensation of key management personnel of the Group

	2009 RMB'000	2008 RMB'000
Short-term employee benefits	**4,901**	4,244
Pension scheme contributions	**138**	135
Total compensation paid to key management personnel	**5,039**	4,379

Notes to Financial Statements

45. RELATED PARTY TRANSACTIONS *(continued)*

(d) Transactions with other State-controlled entities in the PRC

The Group operates in an economic regime currently predominated by State-controlled entities. Apart from the transactions with the Parent Group, the Group also conducts a majority of its businesses with State-controlled entities. The directors of the Company consider that these transactions are conducted in the ordinary course of the Group's businesses on terms similar to those that would be entered into with non-State-controlled entities. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-controlled entities. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosures.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	2009			2008		
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	**–**	**17,411**	**17,411**	–	14,985	14,985
Trade and bills receivables	**1,613,258**	**–**	**1,613,258**	1,139,744	–	1,139,744
Financial assets included in prepayments, deposits and other receivables	**1,662,675**	**–**	**1,662,675**	1,078,858	–	1,078,858
Restricted cash	**142,747**	**–**	**142,747**	135,753	–	135,753
Cash and cash equivalents	**5,499,609**	**–**	**5,499,609**	1,881,897	–	1,881,897
	8,918,289	**17,411**	**8,935,700**	4,236,252	14,985	4,251,237

Notes to Financial Statements

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group

Financial liabilities

	2009 Financial liabilities at amortised cost RMB'000	2008 Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,285,463	1,961,612
Financial liabilities included in other payables and accruals	733,824	1,820,049
Corporate bonds	1,933,904	–
Interest-bearing bank loans	6,145,146	7,024,900
	11,098,337	10,806,561

Company

Financial assets

	2009 Loans and receivables RMB'000	2009 Available-for-sale financial assets RMB'000	2009 Total RMB'000	2008 Loans and receivables RMB'000	2008 Available-for-sale financial assets RMB'000	2008 Total RMB'000
Available-for-sale investments	–	8,194	8,194	–	8,194	8,194
Trade and bills receivables	–	–	–	252,489	–	252,489
Financial assets included in prepayments, deposits and other receivables	4,410,542	–	4,410,542	2,469,347	–	2,469,347
Cash and cash equivalents	3,409,781	–	3,409,781	540,053	–	540,053
	7,820,323	8,194	7,828,517	3,261,889	8,194	3,270,083

46. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial liabilities

	2009 **Financial liabilities at amortised cost** **RMB'000**	2008 Financial liabilities at amortised cost RMB'000
Trade and bills payables	**30,656**	240,004
Financial liabilities included in other payables and accruals	**2,935,059**	2,555,700
Corporate bonds	**1,933,904**	–
Interest-bearing bank loans	**2,350,000**	3,698,000
	7,249,619	6,493,704

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, corporate bonds, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of the reporting period. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rates, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

Notes to Financial Statements

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

		Group	
	Increase/ decrease in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		RMB'000	RMB'000
Year ended 31 December 2009	+100	(61,451)	–
Year ended 31 December 2008	+100	(70,249)	–
Year ended 31 December 2009	–100	61,451	–
Year ended 31 December 2008	–100	70,249	–

* Excluding retained profits.

Foreign currency risk

The Group's businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except certain short term bank deposits denominated in Hong Kong dollar ("HKD") and United States dollar ("USD") which expose the Group to foreign currency risk. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets).

	Increase/ (decrease) in	Increase/(decrease) in profit before tax	
		2009	2008
	%	**RMB'000**	RMB'000
If RMB weakens against HKD	(3)	**50,802**	1
If RMB strengthens against HKD	3	**(50,802)**	(1)

	Increase/ (decrease) in	Increase/(decrease) in profit before tax	
		2009	2008
	%	**RMB'000**	RMB'000
If RMB weakens against USD	(3)	**230**	42
If RMB strengthens against USD	3	**(230)**	(42)

Notes to Financial Statements

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 41.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its commitments.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

			2009			
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest-bearing bank loans	–	2,691,189	1,130,608	2,833,860	–	6,655,657
Corporate bonds	–	86,832	87,052	204,448	1,900,000	2,278,332
Trade and bills payables	2,285,463	–	–	–	–	2,285,463
Other payables	733,824	–	140,292	–	–	874,116
Guarantees given to banks in respect of mortgage facilities for certain purchaser of the Group's properties	1,731,931	–	–	–	–	1,731,931
	4,751,218	2,778,021	1,357,952	3,038,308	1,900,000	13,825,499

Notes to Financial Statements

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Group

	2008					
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest-bearing bank loans	–	5,464,545	1,396,994	594,012	–	7,455,551
Trade and bills payables	1,961,612	–	–	–	–	1,961,612
Other payables	1,820,049	–	5,210	235,621	–	2,060,880
Guarantees given to banks in respect of mortgage facilities for certain purchaser of the Group's properties	748,037	–	–	–	–	748,037
	4,529,698	5,464,545	1,402,204	829,633	–	12,226,080

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2009					
	On demand	**Within 1 year**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**	**Total**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
Interest-bearing bank loans	**–**	**806,341**	**805,326**	**987,760**	**–**	**2,599,427**
Corporate bonds	**–**	**86,832**	**87,052**	**204,448**	**1,900,000**	**2,278,332**
Trade and bills payables	**30,656**	**–**	**–**	**–**	**–**	**30,656**
Other payables	**2,935,059**	**–**	**–**	**–**	**–**	**2,935,059**
Guarantees given to banks in connection with loans granted to subsidiaries	**3,112,546**	**–**	**–**	**–**	**–**	**3,112,546**
	6,078,261	**893,173**	**892,378**	**1,192,208**	**1,900,000**	**10,956,020**

	2008					
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
Interest-bearing bank loans	–	3,444,037	120,700	327,573	–	3,892,310
Trade and bills payables	240,004	–	–	–	–	240,004
Other payables	2,555,700	–	–	–	–	2,555,700
Guarantees given to banks in connection with loans granted to subsidiaries	3,343,600	–	–	–	–	3,343,600
	6,139,304	3,444,037	120,700	327,573	–	10,031,614

Notes to Financial Statements

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net borrowings to equity, which is net borrowings divided by total capital. Net borrowings include interest-bearing bank loans and corporate bonds less cash and cash equivalents and restricted cash. Capital represents the total equity.

At the end of the year, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net borrowings to equity ratios at the end of the year were as follows:

Group

	2009 **RMB'000**	2008 RMB'000
Interest-bearing bank loans	**6,145,146**	7,024,900
Corporate bonds	**1,933,904**	–
Less: Cash and cash equivalents	**(5,499,609)**	(1,881,897)
Restricted cash	**(142,747)**	(135,753)
Net borrowings	**2,436,694**	5,007,250
Total equity	**16,484,366**	8,174,229
Net borrowings to equity	**15%**	61%

Notes to Financial Statements

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 17 January 2010, the Company entered into six acquisition agreements (collectively, the "Acquisition Agreements") with the Parent and Beijing Dacheng Property Development Co., Ltd* ("Dacheng Property"), the wholly owned subsidiary of the Parent.

(i) Pursant to the Acquisition Agreements, the Company has agreed to acquire 60.64% of the equity interest in Tianjin Zhenxin Cement Co., Ltd. and entire equity interest in Shanghai Sanming Building Materials Co., Ltd from the Parent at a consideration of approximately RMB400 million and RMB14 million, respectively.

(ii) Pursant to the Acquisition Agreements, the Company has agreed to acquired 90% of the equity interest in Zhangjiakou Jinyu Cement Co., Ltd, 90% of the equity interest in Quyang Jinyu Cement Co., Ltd., 100% of the equity interest in Zhuolu Yongxing Cement Co., Ltd. and 100% of the equity interest in Beijing Dacheng Development Group Co., Ltd. from Dacheng Property at a consideration of approximately to RMB271 million, RMB48 million, nil and RMB763 million, respectively.

Details of the above are set out in the Company's announcement dated 17 January 2010.

(b) On 23 February 2010, the Company entered into three equity transfer agreements (collectively, the "Equity Transfer Agreements") with Lafarge China Offshore Holding Co. Ltd. ("LCOHC"). Pursuant to the Equity Transfer Agreements, the Company agreed to acquire 65% equity interest in Beijing Chinefarge Cement Co., Ltd, 70% equity interest in Beijing Shunfa Lafarge Cement Co., Ltd and 76.722% equity interest in Beijing Yicheng Lafarge Concrete Co., Ltd from LCOHC at an aggregate consideration of approximately RMB506.7 million.

The Equity Transfer Agreements are subject to the approval of the minority shareholders of the relevant target companies and the PRC regulatory authorities. Details of which are set out in the Company's announcement dated 23 February 2010.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.

DEFINITIONS

The following terms and expressions contained in this Annual Report shall, unless the context otherwise requires, have the meanings assigned to them as follows:

"Articles"	the articles of association of the Company (as amended from time to time)
"Asset Restructuring"	the potential transfer of all cement related assets and businesses owned by the Parent and the Company to Taihang Cement
"BBMG Mangrove Environmental"	北京金隅紅樹林環保技術有限責任公司 (BBMG Mangrove Environmental Protection Technology Co., Ltd.*), a limited liability company established on 13 December 2005 under the laws of the PRC and a wholly-owned subsidiary of the Company
"BBMG Vanke"	北京金隅萬科房地產開發有限公司 (BBMG Vanke Property Development Co., Ltd.*), a limited liability company established on 27 July 2007 under the laws of the PRC and directly owned as to 51.0% by Beijing GEM and as to 49.0% by 北京萬科企業有限公司 (Beijing Vanke Co., Ltd.*)
"Beijing SASAC"	the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
"Beijing-Bohai Gulf Region"	the geographic market area comprised of Beijing, Tianjin, Hebei Province, Shandong Province and Liaoning Province
"Beijing GEM"	北京金隅嘉業房地產開發有限公司 (BBMG GEM Property Development Co., Ltd.*), a limited liability company established on 18 August 2006 under the laws of the PRC and a wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Bonds"	the corporate bonds with an aggregate principal amount of RMB1.9 billion due on 2016 issued by the Company in the PRC on 27 April 2009

"CG Code"	Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules
"China Cinda"	中國信達資產管理公司 (China Cinda Asset Management Corporation*), a wholly State-owned limited liability company established on 19 April 1999 under the laws of the PRC and a holder of 1.87% of the issued share capital of the Company as at the date of this Annual Report
"China Haohua"	中國昊華化工（集團）總公司 (China Haohua Chemical Industry (Group) Corporation*), a State-owned enterprise established on February 1993 under the laws of the PRC
"Company"	北京金隅股份有限公司 (BBMG Corporation*)
"Dacheng Development"	北京大成開發集團有限公司 (Beijing Dacheng Development Group Co., Ltd*), a limited liability company established on 19 October 2000 under the laws of the PRC
"Dingxin Cement"	鹿泉東方鼎鑫水泥有限公司 (Luquan Dongfang Dingxin Cement Co., Ltd.*), a limited liability company established on 26 September 2002 under the laws of the PRC and a wholly-owned subsidiary of the Company
"Director(s)"	director(s) of the Company
"GFA"	gross floor area
"Group"	the Company and its subsidiaries from time to time
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Liulihe Cement"	北京市琉璃河水泥有限公司 (Beijing Liulihe Cement Co., Ltd.*), a limited liability company established on 23 November 2006 under the laws of the PRC and a wholly-owned subsidiary of the Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Parent"	北京金隅集團有限責任公司 (BBMG Group Company Limited*), a limited liability company established on 6 December 1996 under the laws of the PRC, a wholly-owned subsidiary of Beijing SASAC, being the controlling shareholder of the Company holding approximately 45.27% of the issued share capital of the Company as at the date of this Annual Report
"PRC"	the People's Republic of China
"Quyang Cement"	曲陽金隅水泥有限公司 (Quyang Jinyu Cement Co., Ltd.*), a limited liability company established on 12 December 2008 under the laws of the PRC
"Reporting Period"	the financial reporting period of the Company commencing on 1 January 2009 and ended on 31 December 2009
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising H Shares, domestic shares and unlisted foreign shares

"Shareholder(s)"	holder(s) of the Share(s)
"Sinoma"	中國中材股份有限公司 (China National Materials Co., Ltd.*), a joint stock company established on 31 July 2007 under the laws of the PRC, whose securities have been listed on the Stock Exchange (Stock Code: 1893) since 20 December 2007, one of the promoters of the Company and a holder of 6.19% of the issued share of the Company as at the date of this Annual Report
"Sinoma International"	中國中材國際工程有限公司 (Sinoma International Engineering Co., Ltd.*), a joint stock limited company established on 28 December 2001 under the laws of PRC and the shares of which have been listed on the Shanghai Stock Exchange (Stock Code: 600970) since 12 April 2005
"Siping BBMG"	四平金隅水泥有限公司 (Siping BBMG Cement Co., Ltd.*), a limited liability company established on 30 December 2009 under the laws of the PRC and directly owned as to 52% by the Company and as to 48% by Siping Haohua
"Siping Haohua"	四平昊華化工有限公司 (Siping Haohua Chemical Co., Ltd.*), a limited liability company established on 30 December 2009 under the laws of the PRC and a wholly-owned subsidiary of China Haohua
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of the Company
"Supervisory Board"	the board of Supervisors

"Taihang Cement"	河北太行水泥股份有限公司 (Hebei Taihang Cement Co., Ltd*), a joint stock company established on 5 March 1993 under the laws of the PRC, the securities of which have been listed on the Shanghai Stock Exchange (Stock Code: 600553) since 20 August 2002, with 河北太行華信建材有限責任公司 (Hebei Taihang Huaxin Building Materials Co., Ltd.*) (a limited liability company established on 15 March 2002 under the laws of the PRC and directly owned as to 33.33% by the Company, as to 61.67% by the Parent (which was entrusted to the Company) and as to 5.0% by the State-owned Assets Supervision and Administration Commission of People's Government of Handan Municipality (邯鄲市人民政府國有資產監督管理委員會)) as its controlling shareholder (30.0% interest as at the date of this Annual Report) and a non wholly-owned subsidiary of the Company
"Tianjin Jinjian"	金建（天津）置業投資有限責任公司 (Jinjian (Tianjin) Property Investment Co., Ltd.*), a limited liability company established on 1 November 2005 under the laws of the PRC and was owned by the Company as to 50% before the equity disposal on 30 September 2009
"Tongda Refractory"	北京通達耐火技術股份有限公司 (Beijing Tongda Refractory Technology Corporation*), a joint stock company established on 10 May 2006 under the laws of the PRC and directly owned as to 57.0% by the Company, as to 11.4% by Sinoma International, as to 9.5% by 北京高科技發展有限公司 (Beijing Enterprises Holding High Tech Development Co., Ltd.*), as to 6.65% by 唐山中材重型機械有限公司 (Tangshan Sinoma Heavy Machinery Co., Ltd.*), as to 5.7% by 江蘇中材水泥技術裝備有限公司 (Jiangsu Sinoma Cement Technology and Equipment Co., Ltd.*), as to 4.75% by 北京國建易創投資有限公司 (Beijing Guide Energy Venture Capital Co., Ltd.*)) and as to 5.0% by 鄭州巨龍投資股份有限公司 (Zhengzhou Julong Investment Corporation*)

"Xinbeishui"	北京新北水水泥有限責任公司 (Beijing Xinbeishui Cement Co., Ltd.*), a limited liability company established on 31 December 2006 under the laws of the PRC and directly owned as to 55.0% by BBMG Mangrove Environmental and as to 45.0% by Beijing Cement Plant Co., Ltd.
"Yongxing Cement"	涿鹿永興水泥有限責任公司 (Zhuolu Yongxing Cement Co., Ltd.*), a limited liability company established on 22 August 2006 under the laws of the PRC
"Zanhuang Cement"	贊皇金隅水泥有限公司 (Zanhuang BBMG Cement Co., Ltd.*), a limited liability company established on 20 February 2008 under the laws of the PRC and a wholly-owned subsidiary of the Company
"Zhenxing Cement"	天津振興水泥有限公司 (Tianjin Zhenxing Cement Co., Ltd.*), a limited liability company established on 1 April 1997 under the laws of the PRC
"RMB"	Renminbi yuan, the lawful currency of the PRC
"%"	per cent.

* *for identification purposes only*

Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last four financial years is set out below.

RESULTS

	Year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**11,701,087**	8,550,656	8,080,460	6,612,345
PROFIT FOR THE YEAR	**2,115,106**	1,386,011	693,760	536,770
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,035,388**	1,320,816	643,588	494,192
DIVIDEND	**271,133**	112,000	112,689	54,330
DIVIDEND PER SHARE	**RMB0.070**	RMB0.040	RMB0.060	RMB0.030
EARNINGS PER SHARE (BASIC)	**RMB0.63**	RMB0.59	RMB0.36	RMB0.30

ASSETS, LIABILITIES AND MINORITIES INTERESTS

	As at 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS	**17,916,231**	14,366,780	10,725,717	9,086,525
CURRENT ASSETS	**17,540,433**	11,025,861	10,871,000	8,123,884
TOTAL ASSETS	**35,456,664**	25,392,641	21,596,717	17,210,409
CURRENT LIABILITIES	**11,074,940**	13,285,919	14,965,592	10,561,177
NON-CURRENT LIABILITIES	**7,897,358**	3,932,493	2,448,924	2,603,814
TOTAL LIABILITIES	**18,972,298**	17,218,412	17,414,516	13,164,991
MINORITY INTERESTS	**1,522,893**	840,003	610,678	289,233
NET ASSETS	**16,484,366**	8,174,229	4,182,201	4,045,418
NET ASSETS PER SHARE	**RMB3.86**	RMB2.92	RMB2.32	RMB2.25

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Tower D, Global Trade Centre,
No. 36, North Third Ring Road East,
Dongcheng District, Beijing, China (100013)

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