CNBM

China National Building Material Company Limited *

中 國 建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

Announcement of Annual Results
For the Year Ended 31 December 2009

The Group's audited consolidated revenue amounted to approximately RMB33,297 million for the year ended 31 December 2009, representing an increase of approximately 26.3% over the same period of 2008.

Profit attributable to equity holders of the Group was approximately RMB2,352 million, representing an increase of approximately 55.6% over the same period of 2008.

Basic earnings per share was approximately RMB0.96, representing an increase of approximately 41.2% over the same period of 2008.

The Board recommends to distribute of a final dividend of RMB0.07 (pre-tax) per share for 2009 (2008: RMB0.045 (pre-tax) per share), representing a total amount of RMB173,685,069.11 (pre-tax).

The Board of Directors (the "Board") of China National Building Material Company Limited (the "Company" or "CNBM") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Group's consolidated financial position as of 31 December 2009, together with the consolidated results and financial position of 2008 for comparison, are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue		**33,297,363**	26,365,159
Cost of sales		**(26,798,003)**	(21,851,738)
Gross profit		**6,499,360**	4,513,421
Selling and distribution costs		**(1,267,429)**	(884,012)
Administrative expenses		**(1,871,691)**	(1,348,674)
Investment and other income	4	**2,036,833**	1,186,583
Other expenses		**(148,072)**	(88,172)
Finance costs — net	5	**(1,516,443)**	(1,368,044)
Share of profit of associates		**9,394**	155,327
Profit before income tax	6	**3,741,952**	2,166,429
Income tax expense	7	**(664,059)**	(293,073)
Profit for the year		**3,077,893**	1,873,356

	Note	2009	2008
Profit attributable to:			
Equity holders of the Company		**2,352,396**	1,511,542
Minority interests		**725,497**	361,814
		3,077,893	1,873,356
Earnings per share			
— basic and diluted *(RMB)*	9	**0.96**	0.68
Dividends			
— paid	8	**111,655**	72,880
— proposed	8	**173,685**	111,655

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	NOTE	**2009** **RMB'000**	2008 RMB'000
Non-current assets			
Property, plant and equipment		**36,589,612**	26,900,840
Prepaid lease payments		**4,706,127**	3,404,818
Investment properties		**282,815**	331,892
Goodwill		**7,044,298**	4,986,745
Intangible assets		**983,407**	740,072
Investments in associates		**2,879,108**	2,815,968
Available-for-sale financial assets		**139,414**	102,419
Deposits		**3,075,778**	969,668
Deferred income tax assets		**454,802**	185,234
		56,155,361	40,437,656
Current assets			
Inventories		**4,741,566**	3,331,223
Trade and other receivables	10	**10,009,431**	8,643,830
Held-for-trading investments		**313,968**	263,263
Amounts due from related parties		**973,390**	745,303
Pledged bank deposits		**971,688**	1,756,663
Cash and cash equivalents		**3,843,633**	3,726,253
		20,853,676	18,466,535

	Note		
Current liabilities			
Trade and other payables	11	**14,419,297**	18,023,388
Amounts due to related parties		**1,112,354**	2,364,178
Borrowings		**21,942,921**	17,472,843
Obligations under finance leases		**257,055**	45,126
Current income tax liabilities		**582,324**	298,607
Financial guarantee contracts due within one year		**1,640**	6,690
Dividend payable to minority shareholders		**4,379**	7,089
		38,319,970	38,217,921
Net current liabilities		**(17,466,294)**	(19,751,386)
Total assets less current liabilities		**38,689,067**	20,686,270
Non-current liabilities			
Borrowings		**19,073,005**	7,774,960
Deferred income		**145,531**	94,263
Obligations under finance leases		**1,003,656**	32,783
Financial guarantee contracts due after one year		**13,140**	15,030
Deferred income tax liabilities		**938,307**	636,010
		21,173,639	8,553,046
Net assets		**17,515,428**	12,133,224

Capital and reserves		
Share capital	**2,481,215**	2,208,488
Reserves	**10,413,552**	6,621,862
Capital and reserves attributable to equity holders of the Company	**12,894,767**	8,830,350
Minority interests	**4,620,661**	3,302,874
Total equity	**17,515,428**	12,133,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Management Discussion and Analysis-Business Overview Section. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 April 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

- IFRIC-Int 17, 'Distribution of non-cash assets to owners' — effective on or after 1 July 2009. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC-Int 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

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

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

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

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

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

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions — effective from 1 January 2010. In addition to incorporating IFRIC-Int 8, 'Scope of IFRS 2', and IFRIC-Int 11, 'IFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in IFRIC-Int 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

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

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

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

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

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

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

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

2.2 Basis of consolidation

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

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

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

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

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

2.3 Business combinations

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

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

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

2.4 Purchase of additional interests in subsidiaries

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

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

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

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

2.5 Goodwill

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

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

2.6 Investments in associates

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

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

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

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

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

2.7 Segment reporting

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

2.8 Revenue recognition

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

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

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

Other service income is recognised when services are provided.

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

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

2.9 Property, plant and equipment

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

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

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

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

2.10 Prepaid lease payments

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

2.11 Investment properties

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

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

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

2.12 Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

2.13 Construction contracts

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

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

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

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

2.14 Foreign currency translation

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

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

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

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

2.15 Government grants

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

2.16 Borrowing costs

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

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

2.17 Retirement benefits costs

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

2.18 Cash-settled share-based payment transactions

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

2.19 Taxation

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

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

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

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

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

2.20 Intangible assets

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

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

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

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

2.21 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

2.22 Inventories

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

2.23 Financial Instruments

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

2.24 Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Derecognition of financial assets

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

2.25 Financial liabilities and equity instruments

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

Equity instruments

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

Financial guarantee contract liabilities

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognized in accordance with the interest revenue recognition policies above.

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

2.26 Provisions

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

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

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

2.27 Dividend distribution

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

2.28 Comparatives

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

3. SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

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

Year ended 31 December 2009

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

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

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

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

Year ended 31 December 2008

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

Capital expenditure:							
— Property, plant and equipment	865,194	3,046,684	46,614	194,860	90,084	—	4,243,436
— Prepaid lease payments	163,522	264,061	7,819	5,773	29,353	—	470,528
— Intangible assets	250	151,096	—	5,786	16	—	157,148
— Unallocated							14,398
	1,028,966	3,461,841	54,433	206,419	119,453	—	4,885,510
— Acquisition of subsidiaries	—	13,090,673	—	—	—	—	13,090,673

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

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

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

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

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

(b) Geographical segments

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

Revenue from external customers

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

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

4. INVESTMENT AND OTHER INCOME

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

Notes:

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

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

5. FINANCE COSTS — NET

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

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

6. PROFIT BEFORE INCOME TAX

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

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

7. INCOME TAX EXPENSE

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

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

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

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

Notes:

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

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

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE — BASIC AND DILUTED

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

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

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

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

10. TRADE AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

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

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

BUSINESS HIGHLIGHTS

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

CEMENT SEGMENT

China United

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

South Cement

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

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

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

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

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

CHAIRMAN'S STATEMENT

To Shareholders,

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

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

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

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

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

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

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

Looking into 2010, we see opportunities accompanied by challenges. It is expected that China will continue to adopt an investment-driven economic growth model. The PRC government's economic and fiscal policies implemented in 2009 are expected to extend into 2010. Demand for cement shall gain more momentum due to the recovery in the real estate sector. As PRC government strengthens structural adjustment in the cement industry, resulting in the phasing-out of outdated production capacity and more restriction on new cement projects, the cement industry shall enjoy a healthy development. According to "Some Opinions Given by the State Council on Strengthening the Coordination of Cities and Towns Development, and Tamping the Foundation of Agriculture and Rural Area Development"(《中共中央國務院關於加大統籌城鄉發展力度進一步夯實農業農村發展基礎的若干意見》) issued by the PRC central government, as one of the major measures for stimulating domestic demands, China will put great efforts in supporting farmers to construct their own houses. Effective measures will be adopted to promote the programme of "bringing building materials to the countryside". This will be a great positive factor for the building material industry and also a highlight for the development of the industry in 2010. However, we will also be facing stricter requirements on energy conservation, emission reduction, new environmental protection policies, all of which will bring new opportunities along with new challenges for us.

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

Song Zhiping
Chairman

Beijing, the PRC
16 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at 31 December 2009 are summarised as follows:

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

CEMENT SEGMENT

Review of the cement industry in the PRC in 2009

In 2009, the central government's stimulus package was implemented to tackle the global financial crisis. "Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No. 38)"(《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》) was issued and brought into effect, which had created favorable conditions for the cement industry. It transformed the development of the cement industry at a faster pace, eliminated outdated capacity and enhanced consolidation and restructuring as well as structural adjustments within the industry. Accordingly, remarkable results have been achieved.

The RMB4 trillion stimulus package offered by the PRC government had boosted the cement output and consumption. In 2009, the total output of cement in the PRC was 1.63 billion tonnes, an increase of 17.9% over 2008. On the other hand, the macro control by the PRC government had taken effect, leading to a significant decrease in outdated production capacity. In 2009, 74.16 million tonnes of outdated cement production capacity was eliminated. With NSP cement clinker production accounting for 72.25%, structural adjustment goal which was set in the 11th "Five Year Plan" by the PRC government had been achieved in advance. As large conglomerates quickly expanded their production capacity through acquisition and reorganization, industry concentration had increased significantly. Cement clinker produced by the top 20 cement producers accounted for 38.82% of the country's total, up 7.14% over 2008. ***(Source: National Bureau of Statistics of China and China Building Materials Industry Association)***

Review of the Group's cement business in 2009

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

China United

Further strengthened business synergy

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

Pressed ahead management integration

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

Smooth progress in the consolidation and restructuring and project construction

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

South Cement

Further promote management integration and fully implement regional management integration

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

Emergence of market synergy landscape for stronger control over regional markets

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

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

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

North Cement

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

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

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

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

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

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

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

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

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

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

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

Composite materials industry

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

Glass fiber industry

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

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

Composite materials business

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

Glass fiber business

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

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering service business in 2009

Enhanced engineering development and consolidating leading position in the industry

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

Enhanced technology innovation and upgrading service business

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

FINANCIAL REVIEW

Establishment of North Cement

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

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

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

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

Revenue

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

Cost of sales

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

Other income

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

Selling and distribution costs

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

Administrative and other expenses

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

Finance costs

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

Share of profit of associates

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

Income tax expense

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

Minority interests

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

Profit attributable to equity holders of the Company

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

China United

Acquisition and addition of new production lines

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

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

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

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

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

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

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

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

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

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

South Cement

Acquisition and addition of new production lines

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

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

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

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

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

Revenue

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

Cost of Sales

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

Gross profit and gross profit margin

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

Operating profit

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

Lightweight Building Materials Segment

Revenue

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

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

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

Cost of sales

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

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

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

Gross profit and gross profit margin

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

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

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

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

Operating profit

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

Glass Fiber and Composite Materials Segment

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

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Engineering Services Segment

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Operating profit

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

Exchange Risks

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

Contingent Liabilities

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

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

Capital Commitments

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

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

Capital Expenditures

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

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

Bank Balances and Cash

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

Cash Flow from Operating Activities

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

Cash Flow from Investing Activities

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

Cash Flow from Financing Activities

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules for the period after the listing of our H shares on 23 March 2006 (the "Listing Date") and up to the financial year ended 31 December 2009.

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

Save as disclosed in the section headed "MATERIAL TRANSACTIONS - Placing of New H Shares" on page 80 of this announcement, the Company did not issue any securities, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2009 ("securities" shall have the meaning as defined in the Listing Rules).

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

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

AUDIT COMMITTEE

The members of the audit committee of the Company formed pursuant to Appendix 14 of the Listing Rules include Mr. Chi Haibin (Chairman), Mr. Zhou Daojiong and Ms. Cui Lijun. The principal duties of the audit committee include reviewing the Company's financial reporting procedures, internal control and risk management. During the reporting period, the audit committee has operated in accordance with Appendix 14 to the Listing Rules, including reviewing the Group's financial statements and results for the year ended 31 December 2009.

DIVIDENDS

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

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

MATERIAL TRANSACTIONS

1. Placing of New H Shares

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

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

2. Establishment of North Cement

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

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

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

EMPLOYEE AND REMUNERATION POLICY

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

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

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

PUBLICATION OF RESULTS ON THE WEBSITE OF THE HKSE AND THE COMPANY

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2009 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2009 will be posted on the website of the Stock Exchange (website: http://www.hkexnews.hk) on or before 30 April 2010. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

By Order of the Board
China National Building Material Company Limited
Song Zhiping
Chairman

Beijing, the PRC
16 April 2010

As at the date of this announcement, the board of directors of the Company comprises Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Li Yimin, Mr. Peng Shou and Mr. Cui Xingtai as executive directors, Ms. Cui Lijun, Mr. Huang Anzhong and Mr. Zuo Fenggao as non-executive directors, and Mr. Zhang Renwei, Mr. Zhou Daojiong, Mr. Chi Haibin, Mr. Li Decheng and Mr. Lau Ko Yuen, Tom as independent nonexecutive directors.

* *For identification only*