CNBM

China National Building Material Company Limited *

(Stock Code：3323)

2010 ANNUAL REPORT

*For identification only

Financial and Business Highlights

	As at 31 December		
	2010	2009	Growth rate
	(RMB in millions)		
Bank balances and cash	**7,972**	3,844	107.4%
Total assets	**111,516**	77,009	44.8%
Equity attributable to equity holders of the Company	**19,162**	12,895	48.6%
Earnings per share-basic (RMB)	**1.33**	0.96	38.5%

	For the year ended 31 December		
	2010	2009	Growth rate
	(RMB in millions)		
Revenue	**51,988**	33,297	56.1%
Profit after taxation	**4,743**	3,078	54.1%
Profit attributable to equity holders of the Company	**3,369**	2,352	43.2%
Net cash flows from operating activities	**5,977**	4,206	42.1%
Sales volume of cement and clinker (in thousand tonnes)	**152,274**	113,601	34.0%
— China United	**58,558**	43,267	35.3%
— South Cement	**84,706**	70,086	20.9%
— North Cement	**9,010**	248	3,533.1%
Gypsum board (in million m^2)	**654**	475	37.7%
Revenue from engineering service (RMB in millions)	**5,096**	3,592	41.9%
Glass fibre yarn (in thousand tonnes)	**714**	564	26.6%
Selling price			
Cement sold by China United (RMB per tonne)	**239.6**	216.9	10.5%
Clinker sold by China United (RMB per tonne)	**217.5**	182.3	19.3%
Cement sold by South Cement (RMB per tonne)	**251.3**	211.5	18.8%
Clinker sold by South Cement (RMB per tonne)	**232.0**	180.0	28.9%
Cement sold by North Cement (RMB per tonne)	**280.0**	298.6	-6.2%
Clinker sold by North Cement (RMB per tonne)	**214.3**	247.0	-13.2%
Gypsum board			
— BNBM (RMB per m^2)	**6.88**	6.82	0.9%
— Taishan Gypsum (RMB per m^2)	**5.08**	5.10	-0.3%

CNBM

Contents

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

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

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

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively.

The Group is mainly engaged in cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2010), the Group is:

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

Corporate Information

DIRECTORS:

Executive Directors

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

Non-executive Directors

Cui Lijun
Huang Anzhong
Zuo Fenggao

Independent Non-executive Directors

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

AUDIT COMMITTEE:

Chi Haibin *(Chairman)*
Zhou Daojiong
Cui Lijun

REMUNERATION COMMITTEE:

Zhang Renwei *(Chairman)*
Zhou Daojiong
Song Zhiping

SUPERVISORS:

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

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

Corporate Information *(Continued)*

International Auditor:	Baker Tilly Hong Kong Limited 12th Floor, China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central Hong Kong
Domestic Auditor:	Vocation International Certified Public Accountants Co., Ltd. Room 208, Building B of Huatong Mansion No. 19 (Yi), Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code:	3323
Company Website:	http: //cnbm.wsfg.hk www.cnbmltd.com

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

"Aobao Chemical"	山東奧寶化工集團有限公司 Shandong Aobao Chemical Group Company Limited
"Baker Tilly HK"	Baker Tilly Hong Kong Limited（天職香港會計師事務所有限公司，formerly known as 天華香港會計師事務所有限公司）
"Baishan Jingang"	金剛（集團）白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Company Limited)
"BNBMG"	北新建材（集團）有限公司 (Beijing New Building Material (Group) Company Limited)
"BNBM Homes"	北新房屋有限公司 (BNBM Homes Company Limited)
"BNBM PNG"	北新巴布亞新幾內亞有限公司 (BNBM Papua New Guinea Company Limited)
"BND"	北新物流有限公司(BND Co., Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fibreglass"	中國玻纖股份有限公司(China Fibreglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)

Definitions *(Continued)*

"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd)
"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBM Trading"	中建材集團進出口公司 (China National Building Material Import and Export Company)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the People's Republic of China
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Domestic Shares"	the domestic shares in the share capital of the Company
"EPC"	turn-key project services that include design, procurement and construction
"Five C"	marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization
"Four Focuses"	focus on market, management, development and culture
"Fujian Cement"	福建水泥股份有限公司 (Fujian Cement Inc.)
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Shares"	the overseas listed foreign shares in the share capital of the Company
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Henan Ruifa"	河南瑞發水電設備有限公司 (Henan Ruifa Hydropower Equipment Company Limited)

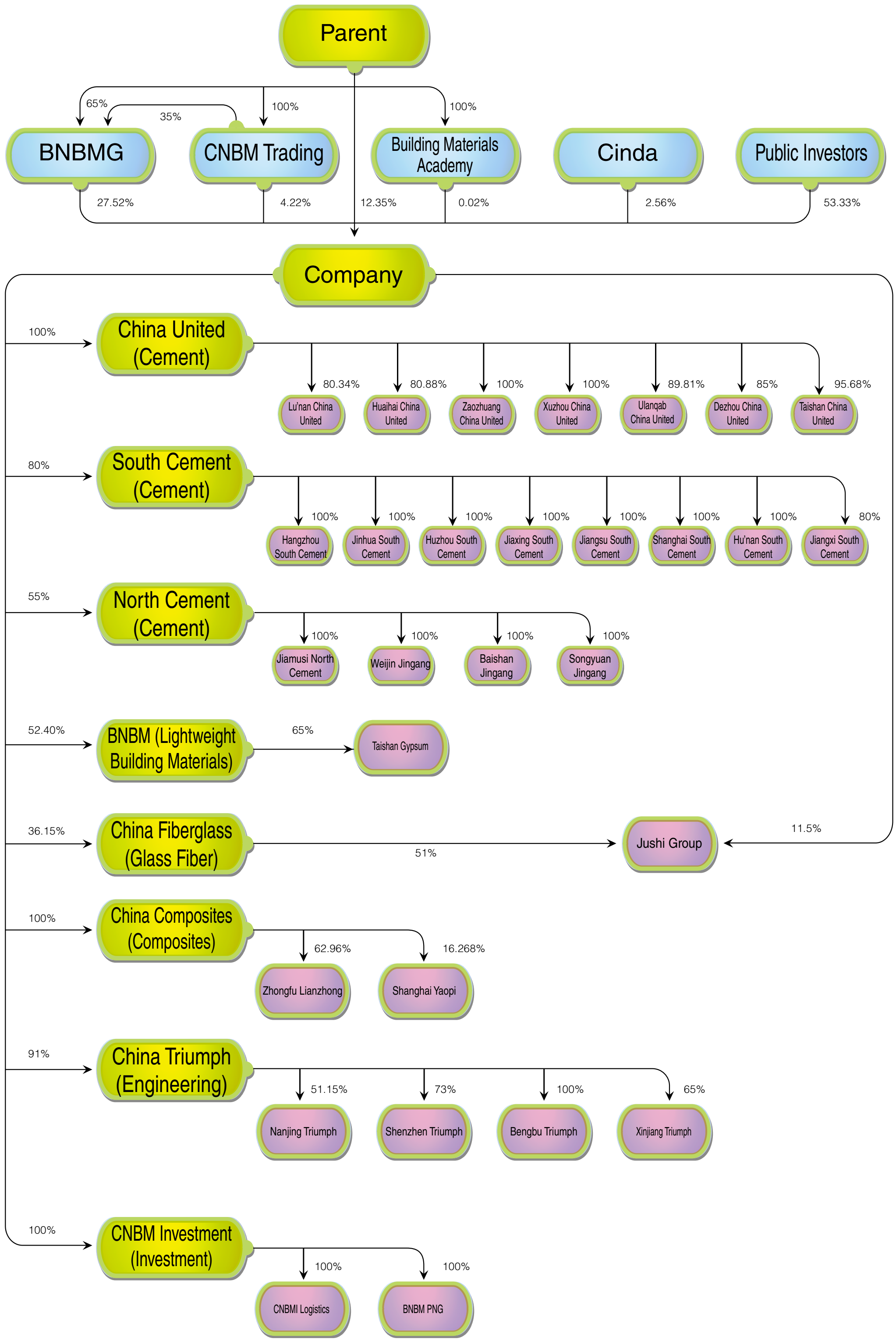
"Huzhou South Cement"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司(China United Cement Huaihai Co., Ltd.)
"Huaihai Economic Zone"	the Huaihai Economic Zone is an area of approximately 178,100 square kilometers covering 20 municipalities(地級市)located in southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"Hunan South Cement"	湖南南方水泥有限公司 (Hunan South Cement Company Limited)
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiangsu South Cement"	江蘇南方水泥有限公司 (Jiangsu South Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jiaxing South Cement"	嘉興南方水泥有限公司 (Jiaxing South Cement Company Limited)
"Jinhua South Cement"	金華南方水泥有限公司 (Jinhua South Cement Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Liberty Group"	麗寶第集團公司 (Liberty Group Company)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"Nanjing China United"	南京中聯水泥有限公司 (China United Cement Nanjing Co., Ltd.)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (China Triumph International Engineering Company Limited)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)

"NPC"	the National People's Congress of the People's Republic of China
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC"	the People's Republic of China
"Promoters"	the initial promoters of the Company, being Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the period from 1 January 2010 to 31 December 2010
"SASAC"	國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Yaopi"	上海耀華皮爾金頓玻璃股份有限公司 (Shanghai Yaohua Pilkington Glass Co., Ltd.)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Shuichan Group"	威海西港水產有限公司 (Weihai Xigang Shuichan Company Limited)
"Songyuan Jingang"	遼源金剛水泥(集團)松原有限公司 (Liaoyuan Jingang Cement (Group) Songyuan Company Limited)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southeast Economic Zone"	the Southeast Economic Zone is situated in the southeast region of the PRC which includes but is not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan

"Special Cost-saving Program"	for every tonne cement, to save 2KWh power and 3 kg coal, and save the purchase cost by approximately RMB30 through centralized procurement
"State", "state", "PRC Government" or "PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"State Council"	the State Council of the People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company
"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Five Management Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processissation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio
"Tianma Group"	常州天馬集團有限公司 (Changzhou Tianma Group Company Limited)
"Ulanqab China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"UHY HK"	UHY Vocation HK CPA Limited (former Chinese name known as 天職香港會計師事務所有限公司)
"Vocation International"	天職國際會計師事務所有限公司 (Vocation International Certified Public Accountants Co., Ltd.)
"Weifang Aotai"	濰坊奧泰石膏有限公司 (Weifang Aotai Gypsum Company Limited)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Xinjiang Triumph"	新疆凱盛建材設計研究院 (Xinjiang Triumph Building Materials Designing Institute)

"Xixia China United"	西峽中聯水泥有限公司 (China United Cement Xixia Co., Ltd.)
"Xixia Guanhe"	河南省西峽灌河水泥有限責任公司 (Xixia Guanhe Company Limited)
"Xixia Logistics"	西峽中聯物流有限公司 (Xixia Logistics Company Limited)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Liberty"	常州中複麗寶第複合材料有限公司 (Changzhou China Composites Liberty Company Limited)
"Zhongfu Xigang"	威海中複西港船艇有限公司 (Weihai China Composites Xigang Boat Company Limited)
"Zhongxin Tianma"	常州中新天馬玻璃纖維製品有限公司 (Changzhou China Composites Tianma Fibreglass Products Company Limited)

The simplified structure of the Group as at 31 December 2010 is set out as below:



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

Financial Highlights

The summary of financial results of the Group for 2010 and 2009 is as follows:

	For the year ended 31 December	
	2010	2009
	(RMB in thousands)	
Revenue	**51,987,763**	33,297,363
Gross profit	**11,208,844**	6,499,360
Profit after taxation	**4,743,040**	3,077,893
Profit attributable to equity holders of the Company	**3,369,433**	2,352,396
Distribution made to the equity holders of the Company	**173,685**	111,655
Earnings per share — basic *(RMB)*[(1)]	**1.33**	0.96

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 2,449,085,759 shares for 2009 and the weighted average number of 2,541,620,982 shares for 2010.

	As at 31 December	
	2010	2009
	(RMB in thousands)	
Total assets	**111,516,350**	77,009,037
Total liabilities	**83,617,964**	59,493,609
Net assets	**27,898,386**	17,515,428
Non-controlling interests	**8,735,906**	4,620,661
Equity attributable to equity holders of the Company	**19,162,480**	12,894,767
Net assets per share — weighted average *(RMB)*[(1)]	**7.54**	5.27
Debt to assets ratio[(2)]	**53.0%**	53.3%
Net debts/equity ratio[(3)]	**183.3%**	212.2%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 2,449,085,759 shares for 2009 and the weighted average number of 2,541,620,982 shares for 2010.

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

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

The major operating data of each segment of the Group for 2009 and 2010 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2010	2009
Production volume-cement *(in thousand tonnes)*	**37,729.4**	28,860.4
Production volume-clinker *(in thousand tonnes)*	**42,917.5**	30,835.3
Sales volume-cement *(in thousand tonnes)*	**38,993.2**	29,377.0
Sales volume-clinker *(in thousand tonnes)*	**19,565.1**	13,890.0
Unit selling price-cement *(RMB per tonne)*	**239.6**	216.9
Unit selling price-clinker *(RMB per tonne)*	**217.5**	182.3

South Cement

	For the year ended 31 December	
	2010	2009
Production volume-cement *(in thousand tonnes)*	**66,016.2**	49,062.6
Production volume-clinker *(in thousand tonnes)*	**63,009.1**	52,203.3
Sales volume-cement *(in thousand tonnes)*	**65,909.7**	49,236.3
Sales volume-clinker *(in thousand tonnes)*	**18,796.1**	20,849.5
Unit selling price-cement *(RMB per tonne)*	**251.3**	211.5
Unit selling price-clinker *(RMB per tonne)*	**232.0**	180.0

North Cement

	For the year ended 31 December	
	2010	2009
Production volume-cement *(in thousand tonnes)*	**5,178.4**	211.4
Production volume-clinker *(in thousand tonnes)*	**6,470.0**	223.3
Sales volume-cement *(in thousand tonnes)*	**5,090.5**	187.4
Sales volume-clinker *(in thousand tonnes)*	**3,920.0**	60.8
Unit selling price-cement *(RMB per tonne)*	**280.0**	298.6
Unit selling price-clinker *(RMB per tonne)*	**214.3**	247.0

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December	
	2010	2009
Gypsum boards — BNBM		
Production volume *(in million m^2)*	**106.3**	84.5
Sales volume *(in million m^2)*	**101.4**	74.6
Average unit selling price *(RMB per m^2)*	**6.88**	6.82

Gypsum boards — Taishan Gypsum		
Production volume *(in million m^2)*	**571.8**	395.3
Sales volume *(in million m^2)*	**552.7**	400.8
Average unit selling price *(RMB per m^2)*	**5.08**	5.10

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December	
	2010	2009
Rotor blade		
Production volume *(in blade)*	**6,946.0**	4,308.0
Sales volume *(in blade)*	**6,699.0**	3,749.0
Average unit selling price *(RMB per blade)*	**356,567.7**	452,011.6

SONG ZHIPING
Chairman
Executive Director

Dear Shareholders,

In 2010, amid complex domestic and foreign economic environments, the Central Government accelerated the transformation of economic development mode, strengthened and improved its macro-economic control and tapped into the market mechanism, thus tiding over the international financial crisis with greater and broader success. The national economy maintained a sound momentum, with an increase of 10.3% in GDP during the year, while the total investments in fixed assets in China increased by 23.8%. Since 2010, central government ministries and governments at all levels have implemented a series of macro-economic measures and industrial economy policies. Combined with the issue of opinions in respect of corporate mergers, acquisitions and reorganizations by the State Council, as well as the release of a list of cement industry enterprises to be eliminated for reason of backward production capacity as well as new entry criteria for the cement industry by the Ministry of Industry and Information Technology, the building materials industry has entered into a new era with stricter controls over new capacity, more rapid phase-out of obsolete capacity and vigorous pursuit in strategic consolidation. Driven by a solid macro-economy, production volumes of major products in the building materials industry increased sharply in 2010, leading to a significant growth in revenue and a steady rise in industrial profit.

Year 2010 marks the end of the "Eleventh Five-Year Plan" and a critical year for the development of CNBM. During the year, CNBM took full advantage of the opportunities in the midst of China's economic development and structural adjustments in the building materials industry, actively coped with various post financial crisis challenges. In adherence to its set development strategy focusing on the market, management, development and culture, CNBM steadily fostered consolidation and restructuring, deepened management integration and proceeded with capital operation. As all production and operation indicators continued to improve significantly, it achieved sound and rapid development. I would like to express my heartfelt gratitude to all those investors who recognize 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 2010 Annual Report and major results to you:

Under IFRS, the Group's consolidated revenue amounted to RMB51,987.8 million for 2010, representing an increase of 56.1% over 2009. Profit attributable to equity holders of the Company amounted to RMB3,369.4 million, representing an increase of 43.2% over 2009. The Board recommended the payment of a final dividend of RMB0.186 per share for the financial year ended 31 December 2010 and to convert RMB2,699,513,131 in the share premium to share capital on the basis to ten new shares for every ten existing shares held by the shareholders.

In 2010, sticking to its set development strategy, CNBM steadily pushed forward consolidation and restructuring and technology innovation. By reinforcing and improving its strategic positioning across regions and seizing market advantages, it expanded its market share in core markets and ramped up a cement production capacity 200 million tonnes. In addition, CNBM further proceeded with management integration featuring the benchmarking approach to improve management practice and achieve cost reduction and higher efficiency, which resulted excellent performance on its management integration. Firstly, the management and core value concepts of the Company have been effectively assimilated into its subsidiaries. Secondly, the significant improvement in the integration level brought about the better utilization of its economies of scale, steady growth in market shares across regions and a proper pick-up in cement prices. Thirdly, it further consolidated and expanded its core profit generating regions and increased the number of cooperative profit generating regions, which enhanced its overall profitability. By stepping up its capital operation, improving its debt structure and diversifying its channels and aspects of equity financing, CNBM laid sound foundation for rapid development.

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, and to the community at large for their long-term support for the Company's development.

Year 2011 heralds the start of China's "Twelfth Five-Year Plan". China will continue to accelerate the transformation of economic development mode, implement proactive fiscal policies and prudent monetary policies and accelerate adjustment of its economic structure. With the acceleration in industrialization, urbanization and new rural construction, along with the construction of social housing in urban areas, the long-term and underlying demand for building materials products will remain robust and the building materials industry will experience another round of structural adjustment, technology advancement and consolidation and restructuring. Industrial concentration is expected to intensify and large enterprises will play a more prominent and leading role in the industry.

Embarking on the new year, CNBM will persist in its regional development strategies and optimize its business layout. It will further optimize its industry and value chains in a bid to generate greater value throughout the process. It will further facilitate management integration by enforcing its Three Five Management Mode and Four Focuses. It will also boost capital operation and optimize its capital structure to reduce its gearing ratio.

As for our cement segment, we will continue to improve consolidation and restructuring and technical innovation projects, extend and optimize industry chain by developing businesses with high functionality, specialization, towards ready-mixed concrete and cement products (製品化) and press ahead with energy saving and emission reduction. For the lightweight building materials segment, project construction will be expedited to ensure that targets set for capacity layout are met. As for our glass fibre and composite materials segment, we will foster construction of rotor blades, fine tune the product portfolio of glass fibre products, enhance technological innovation and cost control to actively cultivate new profit growth points. For the engineering services segment, we will speed up our expansion into the engineering technology markets in the Building Integrated Photovoltaic arena and photoelectric display industry. We will focus on achieving breakthroughs in terms of key technologies such as photovoltaic glass and TFT glass to capture the vantage point in industry development.

All staff and I are strongly confident in our way forward. We will diligently enhance corporate value to deliver maximum return to shareholders and excellent results to all our shareholders and investors.

Song Zhiping
Chairman

Beijing, the PRC
30 March 2011

CAO JIANGLIN
President
Executive Director

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this report are summarized 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	55.00%
Lightweight building materials	Dry wall and ceiling system	BNBM	52.40%
Glass fibre and composite materials	Rotor blades	China Composites	100.00%
	Glass fibre	China Fibreglass	36.15%
Engineering services	Design and engineering EPC services; Float glass production lines and NSP cement production lines	China Triumph	91.00%

CEMENT

Review of the cement industry in the PRC in 2010

In 2010, driven by both national macro economic policies featuring “ensuring growth, adjusting structure and preventing inflation” and the continuation of the RMB4 trillion infrastructure construction projects, the cement industry still witnessed a strong demand from the market as evidenced by 1.87 billion tonnes of national cement output, up 15.5% as compared with the same period of last year. Under the stringent state control over the newly-added production capacity, the investment growth rate in the cement industry plunged to 3.19% year-on-year and the overcapacity of cement production had been effectively curbed. In the second half of the year, the average price of cement continued to climb to a two-decade high. As a result, the gross profit in the cement industry had increased remarkably over last year.

The central government not merely stepped up efforts in energy saving and emission reduction, but also endeavored to eliminate outdated capacity. Year 2010 marked China’s adoption of the sternest policies and the most stringent measures to phase out obsolete capacity, and with unprecedented results. The total outdated cement production capacity phased out for the year amounted to 107 million tonnes and the NSP cement clinker production accounted for 80% of the national total. In 2010, governments from all levels pressed ahead with a series of measures in favor of companies’ mergers and acquisitions, with a view to improving the industry structure. Cement clinker capacity of the top 20 cement producers accounted for 45% of the country’s total production capacity. (Source: China Cement Association, National Bureau of Statistics and Ministry of Industry and Information Technology)

Review of the cement segment of the group in 2010

Pursuant to the “big cement” regional development strategy, the Group focused on the construction of core profit generating regions with respect to its cement business in 2010, fully on the consolidation and restructuring, and technology innovation projects in the three strategic regions, i.e. Huaihai, Southeast China and Northern China. Leveraging strategic regional layout and market positioning, the Group relentlessly pushed forward consolidation and restructuring and technology innovation to strengthen its leading presence in the markets of such regions. As at the end of 2010, the cement production capacity was 200 million tonnes. Meanwhile, by implementing Three Five Management Mode and KPI management, the Group managed to transform its business ideology from VCP (volume-cost-profit) to PCP (price-cost-profit) in respect of its cement segment, thus expanding the share in regional markets with our cutting edge in the scale of production capacity and the ever increasing control over the market.

China United

By virtue of the synergy of business, technology, capital and market, as well as centralized procurement and marketing resources, China United entered into a phase of high speed development, boasting a continuous steady profit increase.

CEMENT *(CONTINUED)*

China United *(Continued)*

In 2010, China United spared no efforts in integrating procurement, production and marketing systems of the companies within Shandong, Huaihai, Henan, Sichuan and Inner Mongolia, five major operational management regions subsequently established in 2010, so as to bring its overall economies of scale into full play. Through systematic management integration and intensified construction of core profit generating regions, China United further enhanced its market control and achieved remarkable strategic results in regional consolidation and restructuring and management integration. In the second half of the year, it seized such favorable conditions on energy saving and emission reduction as well as eliminating outdated production capacity and properly increased the regional market price, thus promoting orderly development of the regional cement market and effectively contributing to the rational regression of the value of the cement industry.

China United continued to press ahead with the consolidation and restructuring and technology innovation within the target strategic regions and its production capacity kept expanding. As at the end of 2010, the cement production capacity was 70 million tonnes.

South Cement

South Cement further consolidated and promoted consolidation and restructuring, improved the strategic layout, enhanced regional market control and vigorously promoted the management integration with the Three Five Management Mode as the core. On one hand, it endeavored to incorporate the result-oriented corporate culture into consolidated and integrated companies to reinforce management integration and fully implement its “Special Cost-saving Program”; on the other hand, it vigorously aspired for new multi-win and win-win scenario through rational competition and increase in cement price to boost the sound development of the regional cement industries. Large-scale consolidation and restructuring and management integration contributed greatly to the steady improvement of South Cement’s profitability.

South Cement adopted a market-oriented management approach and remained committed to enhancing its regional market share. By strengthening the set up of its market networks and tightening market integration management, it reinforced and expanded its establishment of core profit-generating regions, sharpened its edges over economies of scale and market synergy, resulting in a stable increase of its market share in core markets, profitability and market control. South Cement also actively fostered the coordination mechanism across regional markets, made the best of the opportunities arising from energy saving and electricity supply control, as well as the robust demand in peak season to rationally allocate its marketing resources, thus achieved remarkable growth in gross profit of products.

With a focus on management, South Cement fostered the integration of marketing, finance, procurement and technology as scheduled. It also strengthened the integration of mines and other resources as well as technology innovation, whilst implementing benchmark management and capitalized on its economies of scale across regions, which reduced production and operating cost, increased profits and continuously boosted its profitability in an ongoing manner.

CEMENT *(CONTINUED)*

South Cement *(Continued)*

South Cement made steady progress in consolidation and restructuring as well as project construction. As at the end of 2010, South Cement had cement production capacity 117 million tonnes. In the second half of the year, South Cement completed capital increase with an increase in registered capital from RMB3,500 million to RMB10,000 million, which laid solid foundation for its long-term development.

North Cement

Year 2010 is the first operating full-year of North Cement. In adherence to its set development strategy, North Cement actively pushed forward consolidation and restructuring, cement production capacity was 13 million tonnes. North Cement pressed ahead the “Three Five Management Mode”, actively accelerated the construction of core profit-generating regions, promoted culture unity and optimized management structure, thus realized both control of raw material purchase and product sales and the integration of unified management as expected and set itself apart in regions.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the Group’s lightweight building materials business in 2010

BNBM continuously optimized its marketing channels for its gypsum board, stepped up its efforts toward marketing, expanded sales and won the bids for a number of major projects and landmark buildings. As the government vigorously promoted the development of social housing, BNBM took advantage of this opportunity to carry out strategic cooperation with local governments, in a bid to build high-quality social housing and lay a solid foundation for future opportunities to secure the large-scale subsidized housing construction and new rural area construction in future.

In 2010, output and sales of gypsum board jumped dramatically, with stable price. The progress in gypsum board construction projects of BNBM was actively boosted. As at the end of 2010, the in-operation gypsum board production capacity amounted to 1 billion square meters. In addition, BNBM was listed among “China’s 500 Most Valuable Brands for 2010” and “Top 500 Asian Brands” and was recognized as the “Largest Gypsum Board Industrial Group in Asia” and “Company of the Year 2010 in Global Gypsum Industry”.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

Review of the glass fibre and composite materials industry in the PRC in 2010

Composite materials industry

In 2010, China's wind power industry sustained the strong growth momentum with its total installed capacity increasing approximately 62% over the previous year. As at the end of 2010, full-year new installed wind power capacity in China was over 16 million KW and the accumulative installed capacity reached 41.827 million KW. It is the first time China has overtaken the US to top the world. China's wind power market has vast potential for growth in the future. (Source: CNBXFC.NET)

Glass fibre industry

In 2010, domestic consumer market improved remarkably and global economy experienced gradual recovery. The export rebound drove the capacity of glass fibre to rise gradually. The total output of glass fibre yarns hit another record high. Inventories accumulated during the financial crisis were digested gradually with satisfactory sales. With the rebound of export and the increase of market demand, prices of glass fibre yarns were on continuous rise. (Source: China Fibreglass Industry Association)

Review of the Group's glass fibre and composite materials segment in 2010

Composite materials business

In order to cope with the increasing competition in domestic low-end rotor blade market and improve its profitability, Zhongfu Lianzhong actively conducted research and development of high-end products, embarked on an all-out effort to develop high-power megawatt-class rotor blade products. In 2010, it provided 3MW blades for the project of Shanghai East Sea Bridge Project — the first offshore wind power plant in China and also in Asia, accounting for approximately 80% of the total blade demand of this project. As a result, the company's leading position in the industry was further consolidated. Zhongfu Lianzhong's 5MW rotor blade successfully came off the line, which is the first rotor blade domestically developed with the largest single-unit power capacity and the world's longest blade, indicating that the research and development and manufacture of China Composites in the fields of large-scale wind power equipments and offshore wind power equipments have reached the world advanced level.

In 2010, Zhongfu Lianzhong successfully brought in strategic investors, and thus secured capitals needed for maintaining its leading position in terms of business scale and further expanding its business layout.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT *(CONTINUED)*

Review of the Group's glass fibre and composite materials segment in 2010 *(Continued)*

Glass fibre business

Taking advantage of the gradual recovery in glass fibre demand, China Giberglass further expanded the market, actively adjusted sale models, fixed prices according to market conditions, and adjusted prices in a timely manner. Meanwhile, despite of the general rise in prices of raw materials, the company managed to keep cost in a reasonable range through technical innovation and by signing long-term purchase contracts. In 2010, the output, sales, gross profit margin and sale price of glass fibre all increased significantly over the same period last year.

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering service business in 2010

As China strives to transform its economic growth mode and vigorously develops low-carbon cyclic economy, China Triumph seized this historic opportunity to energetically expand into the engineering technology service market of new glass, new energy and new materials. Meanwhile, the equipment manufacture platform of the company grew rapidly driven by its engineering services. As a result, the company successfully made a shift in business field from the engineering technology service market of the traditional building material industry to glass projects, with the aim to perfect and improve cement project contracting system and to make a rapid transformation to tap into the engineering technology service market of the solar and photoelectricity display industry. In overseas engineering technology service markets, no overseas projects of the company recorded loss thanks to its efforts to ensure quality, meet deadlines, guarantee safety, control cost, strengthen management and control various risks.

Based on the industrial structure adjustment, China Triumph intensified its efforts in research and development and gained advantages in core engineering technologies in respect of large-tonnage float glass, solar photovoltaic glass, photoelectricity display glass, glass and cement energy saving and emission reduction, etc.

FINANCIAL REVIEW

Revenue

Our revenue for the year 2010 amounted to RMB51,987.8 million, representing an increase of 56.1% from RMB33,297.4 million in 2009, primarily due to an increase of RMB7,564.8 million in revenue from South Cement, an increase of RMB4,790.1 million in revenue from China United, an increase of RMB2,202.0 million in revenue from North Cement, an increase of RMB1,504.9 million in revenue from our engineering services segment, an increase of RMB1,098.3 million in revenue from our lightweight building materials segment and an increase of RMB782.0 million in revenue from our glass fibre and composite materials segment.

Cost of sales

Our cost of sales in 2010 amounted to RMB40,778.9 million, representing an increase of 52.2% from RMB26,798.0 million in 2009, primarily due to an increase of RMB4,805.8 million in cost of sales from South Cement, an increase of RMB3,491.8 million in cost of sales from China United, an increase of RMB1,713.9 million in cost of sales from North Cement, an increase of RMB1,397.4 million in cost of sales from our engineering services segment, an increase of RMB971.5 million in cost of sales from our lightweight building materials segment and an increase of RMB688.4 million in cost of sales from our glass fibre and composite materials segment.

Other income

Other income of the Group increased by 6.0% to RMB2,158.3 million in 2010 from RMB2,036.8 million in 2009. The increase was primarily due to the followings: the government grants of the Group increased to RMB958.1 million in 2010 from RMB552.4 million in 2009 and VAT refund of the Group increased to RMB756.5 million for the year 2010 from RMB632.1 million in 2009, but was partly offset by the followings: discount on acquisition of interests in subsidiaries of the Group decreased to RMB52.0 million in 2010 from RMB188.3 million in 2009; and net gain from change in fair value of held-for-trading investments decreased to RMB78.0 million in 2010 from RMB154.4 million in 2009.

Selling and distribution costs

Selling and distribution costs increased by 42.9% to RMB1,810.7 million in 2010 from RMB1,267.4 million in 2009, primarily due to an increase of RMB173.1 million in packaging fees, and an increase of RMB127.7 million in transportation costs and an increase of RMB21.6 million in loading costs, as a result of our rising sales volume of principal products, as well as an increase of RMB80.5 million in remuneration for sales staff resulting from the growth of the operating performance of the Group.

FINANCIAL REVIEW *(CONTINUED)*

Administrative and other expenses

Administrative and other expenses increased by 52.1% to RMB3,071.6 million in 2010 from RMB2,019.8 million in 2009, primarily due to an increase of RMB210.5 million in salary and allowances, an increase of RMB95.5 million in administrative expenses and utility bills, an increase of RMB73.2 million in depreciation, an increase of RMB65.5 million in repairing cost, an increase of RMB52.7 million in tax (including stamp tax, property tax and land use tax), an increase of RMB47.6 million in research and development expenses and an increase of RMB22.8 million in emission fees of the Group.

Finance costs

Finance costs increased by 70.1% to RMB2,579.0 million in 2010 from RMB1,516.4 million in 2009, primarily due to our increased borrowings which were required to support the increase in the business volume in each of our business segments and higher interest rate of bank loans.

Share of profit of associates

The Group's share of profit of associates increased by 2,009.7% to RMB198.2 million in 2010 from RMB9.4 million in 2009. This was primarily due to a significant increase in profit given the significant increases in sales volume and prices of products of our associate companies, China Fibreglass and Jushi Group.

Income tax expense

Income tax expense increased by 104.9% to RMB1,361.0 million in 2010 from RMB664.1 million in 2009, primarily due to the increase in profit before taxation.

Non-controlling interests

Non-controlling interests increased by 89.3% to RMB1,373.6 million in 2010 from RMB725.5 million in 2009, 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 43.2% to RMB3,369.4 million in 2010 from RMB2,352.4 million in 2009. Net profit margin decreased to 6.5% in 2010 from 7.1% in 2009.

FINANCIAL REVIEW *(CONTINUED)*

China United

Acquisition and addition of new production lines

China United acquired Nanjing China United on 1 July 2009. Therefore, only the operating results of Nanjing China United for the six months from 1 July 2009 to 31 December 2009 were included in the results for the year ended 31 December 2009.

The following table sets out the revenue, cost of sales, gross profit and operating results of Nanjing China United for the two periods.

	Nanjing China United As at 31 December *RMB in millions*	
	2010	2009
Revenue	**443.4**	214.4
Cost of sales	**378.7**	187.6
Gross profit	**64.7**	26.8
Operating profit	**57.2**	19.6

China United acquired 10 cement companies after 31 December 2009. In addition, a 4,800t/d clinker production line of Beichuan China United Cement Company Limited（北川中聯水泥有限公司）commenced production in May 2010; a 4,500t/d clinker production line of Anxian China United Cement Company Limited（安縣中聯水泥有限公司）commenced production in October 2010; and a million-tonne grinding station of Qingdao Jimo China United Cement Company Limited（青島即墨中聯水泥有限公司）commenced production in December 2010. Operating results of the above 13 companies were consolidated into the operating results of China United for the year ended 31 December 2010, but excluded from the operating results for the year ended 31 December 2009.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 13 companies for the year ended 31 December 2010 and their respective contribution to China United.

	RMB in millions	*Total percentage in China United*
Revenue	2,726.0	19.8
Cost of sales	2,128.6	20.1
Gross profit	597.4	18.7
Operating profit	527.8	20.3

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

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

Save for the reasons stated below, changes in the operating results of China United for the year ended 31 December 2010 as compared with the year ended 31 December 2009 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries and newly operational subsidiaries.

Revenue

Revenue from China United increased by 53.3% to RMB13,777.3 million in 2010 from RMB8,987.2 million in 2009. This is mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for China United increased by 49.2% to RMB10,591.1 million in 2010 from RMB7,099.2 million in 2009. This is mainly attributable to the increase in sales volume of cement products and a higher coal price.

Gross profit and gross profit margin

Gross profit from China United increased by 68.8% to RMB3,186.2 million in 2010 from RMB1,888.0 million in 2009. Gross profit margin for China United increased from 21.0% in 2009 to 23.1% in 2010. The increase in gross profit margin was mainly due to higher average selling price of cement products, but was partially offset by the increase in coal price.

Operating profit

Operating profit from China United increased by 52.7% to RMB2,601.2 million in 2010 from RMB1,703.4 million in 2009. Operating profit margin for the segment decreased to 18.9% in 2010 from 19.0% in 2009. The decrease in operating profit margin was primarily due to the decrease in government grants, but was partially offset by the increase in VAT refund.

FINANCIAL REVIEW *(CONTINUED)*

South Cement

Acquisition and addition of new production lines

In 2009, South Cement acquired 19 new subsidiaries. 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)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) commenced production in March 2009 and September 2009 respectively. The operating results of these 21 subsidiaries for less than twelve months were consolidated into the operating results of South Cement for the year ended 31 December 2009. The following table sets out the aggregate revenue, cost of sales, gross profit and operating results of the above 21 companies for the two periods set out below.

	The above 21 companies As at 31 December *RMB in millions*	
	2010	2009
Revenue	**5,361.1**	2,387.6
Cost of sales	**4,442.7**	2,096.0
Gross profit	**918.4**	291.6
Operating profit	**653.9**	313.8

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

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

South Cement acquired 15 cement companies after 31 December 2009. In addition, a 4,500t/d clinker production line of Jiangxi Shanggao South Cement Company Limited（江西上高南方水泥有限公司）commenced production in September 2010; a 4,500t/d clinker production line of Jiangxi Yongfeng South Cement Company Limited（江西永豐南方水泥有限公司）commenced production in October 2010; a million-tonne grinding station of Jiangxi Fuzhou South Cement Company Limited（江西撫州南方水泥有限公司）commenced production in December 2010; a million-tonne grinding station of Jiangxi Jishui South Cement Company Limited（江西吉水南方水泥有限公司）commenced production in December 2010; a 4,500t/d clinker production line of Hunan Shaoyan South Cement Company Limited（湖南邵陽南方水泥有限公司）commenced production in December 2010; and a 4,000t/d clinker production line of Guilin South Cement Company Limited（桂林南方水泥有限公司）commenced production in June 2010. Operating results of the above 21 companies were consolidated into the operating results of South Cement for the year ended 31 December 2010, but excluded from the operating results for the year ended 31 December 2009. The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 21 companies for the year ended 31 December 2010 and their respective contribution to South Cement.

	RMB in millions	*Total percentage in South Cement*
Revenue	3,402.1	15.5
Cost of sales	2,922.9	17.1
Gross profit	479.2	10.0
Operating profit	406.2	12.4

In addition to the reasons stated below, changes in the operating results of South Cement for the year ended 31 December 2010 as compared with the year ended 31 December 2009 were also attributable to the inclusion of results of the newly acquired subsidiaries and newly operational subsidiaries.

Revenue

Revenue from South Cement increased by 52.8% to RMB21,898.9 million in 2010 from RMB14,334.1 million in 2009, mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for South Cement increased by 39.1% to RMB17,092.9 million in 2010 from RMB12,287.2 million in 2009. This is mainly attributable to the increase in sales volume of cement products and higher coal price.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Gross profit and gross profit margin

Gross Profit from South Cement increased by 134.8% to RMB4,806.0 million in 2010 from RMB2,046.9 million in 2009, Gross profit margin for South Cement increased from 14.3% in 2009 to 21.9% in 2010. The increase in gross profit margin was mainly due to the increase in the average selling price of cement, but was partially offset by the increase in coal price.

Operating profit

Operating profit from South Cement increased by 95.6% to RMB3,283.1 million in 2010 from RMB1,678.3 million in 2009. Operating profit margin for the segment increased to 15.0% in 2010 from 11.7% in 2009. This increase was primarily due to the increased gross profit margin, but was partially offset by the decrease in discount on acquisition of interests in subsidiaries and the decrease in government grants.

North Cement

Acquisitions

North Cement acquired Jiamusi North Cement Company Limited("Jiamusi North") on 1 October 2009. Therefore, only the operating results of Jiamusi North Cement for the three months from 1 October 2009 to 31 December 2009 were included in the results of North Cement for the year ended 31 December 2009.

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

	Jiamusi North As at 31 December *RMB in millions*	
	2010	2009
Revenue	**712.9**	73.9
Cost of sales	**531.9**	64.9
Gross profit	**181.0**	9.0
Operating profit	**167.8**	7.3

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Acquisitions *(Continued)*

North Cement acquired Baishan Jingang, Songyuan Jingang, Jingang Cement (Tieling) Company Limited(金剛水泥(鐵嶺)有限公司), Weijin Jingang and Fushun Jingang Cement Company Limited (撫順市金剛水泥有限公司) on 31 December 2009, acquired Hegang North Cement Company Limited(鶴崗北方水泥有限公司), Suihua North Cement Company Limited(綏化北方水泥有限公司), Lingyuan Fuyuan Minining Company Limited (淩源市富源礦業有限責任公司)on 1 July 2010, and acquired Daqing Hongqing Cement Company Limited(大慶鴻慶水泥有限公司)on 1 September 2010. Operating results of the above 9 companies were consolidated into the operating results of North Cement for the year ended 31 December 2010, but excluded from the operating results for the year ended 31 December 2009. The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 9 companies for the year ended 31 December 2010 and their respective contribution to North Cement.

	RMB in millions	*Total percentage in North Cement*
Revenue	1,759.7	77.3
Cost of sales	1,455.6	81.8
Gross profit	304.2	61.2
Operating profit	346.6	66.8

In addition to the reasons stated below, changes in the operating results of North Cement for the year ended 31 December 2010 as compared with the year ended 31 December 2009 were also attributable to the inclusion of operating results of the newly acquired subsidiaries.

Revenue

Revenue from North Cement increased by 2,943.9% to RMB2,276.8 million in 2010 from RMB74.8 million in 2009. The increase was mainly attributable to an increase in sales volume of cement products, but was partially offset by lower average selling price of cement products.

Cost of sales

Cost of sales for North Cement increased by 2,604.8% to RMB1,779.6 million in 2010 from RMB65.8 million in 2009. This was mainly attributable to the increase in sales volume of cement products, but was partially offset by lower coal price.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Gross profit and gross profit margin

Gross Profit from North Cement increased by 5,422.7% to RMB497.2 million in 2010 from RMB9.0 million in 2009. Gross profit margin for North Cement increased from 12.0% in 2009 to 21.8% in 2010. This was mainly due to lower coal price, but was partially offset by the decrease in average selling price of cement products.

Operating profit

Operating profit from North Cement increased by 18,679.2% to RMB519.2 million in 2010 from RMB2.8 million in 2009. Operating profit margin for the segment increased to 22.8% in 2010 from 3.7% in 2009, primarily due to higher gross profit margin,

Lightweight Building Materials Segment

Revenue

Revenue from our lightweight building materials segment increased by 33.7% to RMB4,353.9 million in 2010 from RMB3,255.6 million in 2009. This was mainly attributable to the increase in sales volume from gypsum boards, our main product and higher average selling price of BNBM's gypsum boards, partially offset by slight drop in selling price of gypsum boards of Taishan Gypsum.

Cost of sales

Cost of sales from our lightweight building materials segment increased by 40.5% to RMB3,369.0 million for 2010 from RMB2,397.5 million in 2009. This was mainly due to the increase in sales volume of gypsum boards, our main product, and the increase in raw materials and coal price.

Gross profit and gross profit margin

Gross profit from our lightweight building materials segment increased by 14.8% to RMB984.9 million for 2010 from RMB858.1 million for 2009.

Gross profit margin for our lightweight building materials segment decreased to 22.6% for 2010 from 26.4% for 2009, mainly attributable to higher price of raw material and coal, and slight drop in selling price of gypsum boards of Taishan Gypsum, our main product, partially offset by the increase in the average selling price of BNBM's gypsum board.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Operating profit

Operating profit from our lightweight building materials segment increased by 15.7% to RMB740.0 million for 2010 from RMB639.9 million for 2009. Operating profit margin of the segment decreased from 19.7% for 2009 to 17.0% for 2010, which was principally due to decrease in gross profit margin, partially offset by the increase in VAT refunds and government subsidies.

Glass Fibre and Composite Materials Segment

As China Fibreglass is our associate but not our subsidiary, operating results of China Fibreglass are not consolidated into the Group's operating results and are not included in the results of our glass fibre and composite materials segment. Unless otherwise indicated, any reference to the operating results of the segment has excluded those of China Fibreglass.

Revenue

Revenue from our glass fibre and composite materials segment increased by 35.5% to RMB2,984.2 million for 2010 from RMB2,202.1 million for 2009. The increase was primarily due to the increase of RMB689.5 million in revenue from FRP pipes, tanks business and rotor blade, but was partially offset by the decrease of RMB15.1 million in revenue from glass fibre mats and the decrease of RMB13.9 million in revenue from shipping business.

Cost of sales

The cost of sales for our glass fibre and composite materials segment increased by 45.9% to RMB2,189.1 million for 2010 from RMB1,500.7 million for 2009. The increase was primarily due to the increase of RMB623.3 million in cost of sales from FRP pipes, tanks business and rotor blade, but was partially offset by the decrease of RMB14.3 million in cost of sales of glass fibre mats and the decrease of RMB13.2 million in cost of sales of shipping business.

Gross profit and gross profit margin

Gross profit from our glass fibre and composite materials segment increased by 13.4% to RMB795.1 million for 2010 from RMB701.4 million for 2009. Gross profit margin for our glass fibre and composite materials segment decreased to 26.6% for 2010 from 31.9% for 2009. This was mainly attributable to the decrease in the selling price and gross profit margin of our major class rotor blades sold in 2010 as compared to 2009.

FINANCIAL REVIEW *(CONTINUED)*

Glass Fibre and Composite Materials Segment *(Continued)*

Operating profit

Operating profit from our glass fibre and composite materials segment increased by 6.7% to RMB541.9 million for 2010 from RMB508.0 million for 2009. The operating profit margin for the segment decreased to 18.2% for 2010 from 23.1% for 2009, primarily due to the decrease in the gross profit margin of such segment.

Engineering Services Segment

Revenue

Revenue from our engineering services segment increased by 41.9% to RMB5,096.5 million for 2010 from RMB3,591.6 million for 2009, 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 52.1% to RMB4,080.6 million for 2010 from RMB2,683.1 million for 2009, primarily due to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from our engineering services segment increased by 11.8% to RMB1,015.9 million for 2010 from RMB908.5 million for 2009, primarily due to the increase in completed construction services in the period. Gross profit margin for our engineering services segment decreased to 19.9% for 2010 from 25.3% for 2009, mainly attributable to the decrease in the gross profit margin of EPC projects which represents a significant contribution to the revenue.

Operating profit

Operating profit from our engineering services segment increased by 12.1% to RMB697.2 million for 2010 from RMB622.0 million for 2009. Operating profit margin for the segment decreased to 13.7% for 2010 from 17.3% for 2009, primarily due to its decreased gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 31 December 2010, the Group had unused banking facilities of approximately RMB22,705.0 million in total.

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

	As at 31 December	
	2010	2009
	(RMB in millions)	
Bank loans	**58,089.3**	39,391.3
Other borrowings from non-financial institutions	**1,029.1**	1,624.6
	59,118.4	41,015.9

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

	As at 31 December	
	2010	2009
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**28,188.0**	21,942.9
Between one and two years	**13,393.0**	3,991.6
Between two and three years	**7,673.4**	8,754.5
Between three and five years (inclusive of both years)	**6,295.8**	2,626.9
Over five years	**3,568.2**	3,700.0
Total	**59,118.4**	41,015.9

As at 31 December 2010, bank loans in the amount of RMB4,661.9 million were secured by assets of the Group with a total carrying value of RMB6,810.8 million.

As at 31 December 2010 and 31 December 2009, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 53.0% and 53.3%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

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

Contingent Liabilities

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

	As at 31 December	
	2010	2009
	(RMB in millions)	
Guarantee to banks in respect of bank credits used by related parties of subsidiaries before acquisition	—	63.0
Guarantee to banks, in respect of bank credits used by an independent third party	**139.0**	166.0
Total	**139.0**	229.0

Capital Commitments

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

	As at 31 December	
	2010	2009
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**2,884.2**	2,108.7
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	—	27.1
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	**143.1**	139.4

FINANCIAL REVIEW *(CONTINUED)*

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2010 by segment:

	For the year ended 31 December 2010	
	(RMB in millions)	*% of total*
Cement	**9,743.1**	81.4
Among: China United	**3,504.6**	29.3
South Cement	**5,488.0**	45.8
North Cement	**750.5**	6.3
Lightweight building materials	**1,388.1**	11.6
Glass fibre and Composite Materials	**360.4**	3.0
Engineering services	**297.3**	2.5
Others	**189.9**	1.5
Total	**11,978.8**	100.0

Cash Flow from Operating Activities

For 2010, our net cash inflow generated from operating activities was RMB5,977.4 million. Such net cash inflow was primarily due to RMB10,729.0 million of cash flow from operating activities before the change in working capital, primarily offset by a RMB5,555.6 million increase in trade and other receivables and a RMB1,664.9 million increase in inventories.

Cash Flow from Investing Activities

For 2010, our net cash outflow from investing activities was RMB17,147.9 million, which was primarily due to a RMB4,781.0 million decrease in other payables, expenditure of RMB1,279.8 million for acquisition of subsidiaries, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB9,720.0 million in total and a RMB2,794.7 million increase in deposits paid.

Cash Flow from Financing Activities

For 2010, we had a net cash inflow from financing activities amounting to RMB15,300.1 million, primarily attributable to a total of RMB54,659.8 million in new borrowings, partially offset by RMB40,252.2 million for repayment of borrowings.

The Company has complied with the “Code on Corporate Governance Practices” (the “Code”) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2010 to 31 December 2010, standardized its operation and promoted the continuous improvement of corporate governance. Under the guidance of the regulatory documentation such as the Listing Rules, articles of association of the Company, the “Working Rules of the Audit Committee” and “Working Rules of the Remuneration Committee”, an efficient checks and balances mechanism has been achieved within the Company through coordination among the general meetings, the Board and its related special board committees, the Supervisory Committee, monthly general meeting and the management led by the president. The internal management and operation of the Company was also further standardized with a view to enhancing its intrinsic value. The Company is committed to optimization of its management system and framework for sustainable development and controlling operating risks to improve its performance in the interest of its shareholders.

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

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has confirmed that they complied with the Model Code during the period from 1 January 2010 to 31 December 2010.

II. THE BOARD

During 2010, the Board of the Company held 6 Board meetings to consider and determine significant events including general corporate strategy and major acquisition and merger. All directors attended the meetings in person or by proxy. The management is responsible for the implementation of strategies and administration work related to daily operations.

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

Position	**Name**	**Attendance rate** *(%)*
Executive Director	Song Zhiping	100
Executive Director	Cao Jianglin	100
Executive Director	Li Yimin	100
Executive Director	Peng Shou	100
Executive Director	Cui Xingtai	100
Non-executive Director	Cui Lijun	100
Non-executive Director	Huang Anzhong	100
Non-executive Director	Zuo Fenggao	100 (33.3 of which by proxy)
Independent Non-executive Director	Zhang Renwei	100
Independent Non-executive Director	Zhou Daojiong	100
Independent Non-executive Director	Chi Haibin	100
Independent Non-executive Director	Lau Ko Yuen, Tom	100
Independent Non-executive Director	Li Decheng	100

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

III. OPERATION OF THE BOARD

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

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

IV. CHAIRMAN AND THE PRESIDENT

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

V. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

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

VI. REMUNERATION COMMITTEE

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

The Remuneration Committee of the Company is responsible for determining the remuneration and reviewing the performance of the directors and senior management, based on the remuneration and performance management policies and framework pertaining to directors and senior management which have been formulated by the Board. The committee held one meeting with a 100% attendance in 2010.

VI. REMUNERATION COMMITTEE *(CONTINUED)*

Set out below is a summary of work done by the Remuneration Committee of the Company during 2010:

The second meeting of the second session of the Remuneration Committee under the Board considered and approved the remuneration proposals for senior management members for 2009.

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

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

VII. NOMINATION OF DIRECTORS

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

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

No meeting of the Board was held during 2010 for the purpose of nomination of directors. At present, the Company has not established a Nomination Committee.

VIII. AUDITORS' REMUNERATION

At the Board meeting convened on 16 April 2010, directors resolved to propose to the general meeting the appointment UHY HK and Vocation International as the overseas and domestic auditors of the Company for 2010 respectively. The Board was authorized by the annual general meeting convened on 18 June 2010 to deal with the appointment of overseas and domestic auditors and determine their remunerations. As the H-share audit business of UHY HK was merged with Baker Tilly HK, at the Board meeting of the Company held on 4 November 2010, the directors resolved to propose in the extraordinary general meeting on 30 December 2010 to appoint Baker Tilly HK as international auditor of the Company for 2010 until the conclusion of the next annual general meeting. The Board was authorized by the extraordinary general meeting convened on 30 December 2010 to deal with the appointment of overseas auditor and determine its remuneration. During the year, an aggregate of RMB8.2 million was paid by the Company to the auditors for their professional audit services.

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

IX. AUDIT COMMITTEE

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

The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal control and risk management. In 2010 the Audit Committee held two meetings, both with a 100% attendance rate. The recommendations of the Audit Committee have been presented to the Board for review and acted upon (if applicable).

Set out below is a work summary of the Audit Committee during 2010:

During the reporting period, the Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, amongst others, the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2009 and the interim financial report for 2010.

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 2010.

IX. AUDIT COMMITTEE *(CONTINUED)*

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

X. SHAREHOLDERS AND GENERAL MEETINGS

To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes a general meeting every year pursuant to its articles of association and holds extraordinary general meetings when there are matters subject to the consideration of shareholders. At the 2009 annual general meeting of the Company held on 18 June 2010, 6 ordinary resolutions and 2 special resolutions in relation to authorizing the Board to issue the Company's shares and amendments to the Company's articles of association were approved and passed. At the first extraordinary general meeting held on 30 December 2010, the proposal on appointment of Baker Tilly HK as the international auditor of the Company was passed and approved and the proposal on the amendments to the Articles of Association to reflect the changes made to the business scope in accordance with the renewed "Qualification Certificate of Overseas Project Contracting of the People's Republic of China" was passed and approved.

XI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

XII. INTERNAL CONTROL

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

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

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2010 to its shareholders.

PRINCIPAL BUSINESS

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

RESULTS

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

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB0.186 per share (pre-tax) for the period from 1 January 2010 to 31 December 2010 (2009: RMB0.07 per share (pre-tax)), representing a total amount of RMB502,109,442.37 (pre-tax).

According to the Articles of Association of the Company, dividends will be denominated and declared in Renminbi. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The relevant exchange rate will be the average middle exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends by the annual general meeting.

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 3 June 2011. Shareholders whose names appear on the register of members on Friday, 3 June 2011 will be eligible for the final dividend. The registers of members of the Company will be closed from Wednesday, 4 May 2011 to Friday, 3 June 2011 (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, 3 May 2011 to facilitate the share transfer registration.

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the year ended 31 December 2010 to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on 3 June 2011.

DIVIDENDS *(CONTINUED)*

The Company will not deduct or withhold enterprise income tax in respect of the final dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company on 3 June 2011.

The Company will appoint a receiving agent in Hong Kong (the "**Receiving Agent**") and will pay to such Receiving Agent the final dividend declared for payment to holders of H shares. The final dividend will be paid by the Receiving Agent on or before 20 June 2011. The cheques will be dispatched to holders of H shares by ordinary post at their own risk.

BONUS ISSUE OF SHARES

The Board proposed to convert RMB2,699,513,131 in the share premium to share capital on the basis of ten new shares for every ten shares held based on the existing issued share capital of 2,699,513,131 shares (comprising 1,259,927,183 domestic shares and 1,439,585,948 H shares) (the "Bonus Issue"). After the implementation of the proposal, the total share capital of the Company would be 5,399,026,262 shares (comprising 2,519,854,366 domestic shares and 2,879,171,896 H shares).

The proposed Bonus Issue will be submitted to the 2010 annual general meeting for consideration and approval.

The expected timetable for the Bonus Issue will be announced as soon as practicable.

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB51,721,651,000. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

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

CAPITALISED INTERESTS

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

Share Capital Structure (as at 31 December 2010)

	Number of Shares	Percentage of issued share capital
Domestic Shares	1,259,927,183	46.67%
H Shares	1,439,585,948	53.33%
Total share capital	2,699,513,131	100%

Substantial Shareholders (as at 31 December 2010)

Name	Class of shares	Number of shares held	Percentage of total share capital *(%)*
Parent	Domestic Shares	333,481,261	12.35
BNBMG	Domestic Shares	742,783,478	27.52
CNBM Trading	Domestic Shares	113,859,765	4.22
Cinda	Domestic Shares	69,216,154	2.56
Building Materials Academy	Domestic Shares	586,525	0.02
Public Investors	H Shares	1,439,585,948	53.33
Total share capital		2,699,513,131	100

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

DISCLOSURE OF INTERESTS

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

So far as was known to directors or supervisors of the Company, as at 31 December 2010, the shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital(%) [2, 7]	Percentage in total share capital(%) [2, 7]
Parent[1, 6]	Domestic Shares	1,190,711,029[3]	94.50	44.10
BNBMG[1]	Domestic Shares	742,783,478[3]	58.95	27.52
CNBM Trading[1]	Domestic Shares	113,859,765[3]	9.04	4.22
Cinda[6]	Domestic Shares	69,216,154[3]	5.49	2.56
JP Morgan Chase & Co.	H Shares	287,714,220[3]	19.99	10.65
	H Shares	2,816,539[5]	0.20	0.10
	H Shares	175,981,121[4]	12.22	6.51
T. Rowe Price Associates, Inc. and its affiliates	H Shares	103,448,379[3]	7.18	3.83
Deutsche Bank Aktiengesellschaft	H Shares	87,332,643[3]	6.06	3.23
		6,597,237[5]	0.45	0.24
Plowden Charles	H Shares	64,274,000[3]	5.35	2.38
Warden Alison	H Shares	64,274,000[3]	5.35	2.38
Atlantis Investment Management Limited	H Shares	72,700,000[3]	5.05	2.69
Liu Yang	H Shares	72,700,000[3]	5.05	2.69
Cheah Capital Management Limited	H Shares	72,486,000[3]	5.03	2.68
Cheah Cheng Hye	H Shares	72,486,000[3]	5.03	2.68
Cheah Company Limited	H Shares	72,486,000[3]	5.03	2.68
Hang Seng Bank Trustee International Limited	H Shares	72,486,000[3]	5.03	2.68
To Hau Yin	H Shares	72,486,000[3]	5.03	2.68
Value Partners Group Limited	H Shares	72,486,000[3]	5.03	2.68
Value Partners Limited	H Shares	72,486,000[3]	5.03	2.68

DISCLOSURE OF INTERESTS *(CONTINUED)*

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

Notes:

1. Of these 1,190,711,029 shares, 333,481,261 shares are directly held by Parent, the remaining 857,229,768 shares are deemed corporate interest indirectly and separately held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% of its equity interests, of which 65% is directly held and 35% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to be interested in the shares directly held by BNBMG (742,783,478 shares), CNBM Trading (113,859,765 shares) and Building Materials Academy (586,525 shares).

2. At 31 December 2010, the Company's total issued share capital comprises 2,699,513,131 shares, including 1,259,927,183 domestic shares and 1,439,585,948 H Shares.

3. Long position.

4. Lending pool.

5. Short position.

6. Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to Parent ("Second Transfer of Shares"). Consequently, under the SFO, Parent was deemed to own 1,252,511,166 Domestic Shares (representing 99.41% in the existing domestic shares capital and 46.39% in the existing total share capital) and Cinda was deemed to own 7,416,017 Domestic Shares (representing 0.58% in the existing domestic shares capital and 0.27% in the existing total share capital). As at 31 December 2010, the formalities in respect of the registration of the First Transfer of Shares and Second Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this report, the formalities in respect of the said registrations of the transfer of shares are still under process and are yet to complete.

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

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS *(CONTINUED)*

II. Interests and Short Positions of Directors and Supervisors

As at 31 December 2010, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

Save as disclosed in the section headed "MATERIAL TRANSACTIONS - Placing of New H Shares" on page 73 of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2010 ("securities" shall have the meaning as defined in the Listing Rules).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2010, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

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

RESERVES

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 67,972 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, injury 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 exchange schemes and other courses. The Company also encourages employees to improve themselves.

SHARE APPRECIATION RIGHTS PLAN

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

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

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

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

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

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

As the SA Rights vest at different amounts until the grantee have completed a specified period of service and during the reporting period, no SA Rights was granted, the Company recognised the services received and a liability of RMB2.88 million (2009: RMB2.88 million) during the reporting period, being the estimated compensation paid for service rendered by the grantee during the year.

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

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Supervisors:

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

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

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in the compositions of the directors, supervisors and senior management of the Company.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

Except for the transactions with BNBM Homes which is an indirectly non-wholly owned subsidiary of the Company, the remaining connected transactions, which are also related party transactions, are set out in Note 41 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure". The transactions with BNBM Homes are regarded as connected transactions pursuant to Chapter 14A of the Listing Rules and the transactions were eliminated in preparing the consolidated financial statements.

During the year, the Company entered into certain transactions which are defined as continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Transactions with Parent Group

After completion of the placing on 14 September 2010, the Parent has a direct equity interest of 12.35% and total direct and indirect equity interest of 44.11% in the Company. It is a controlling shareholder and a promoter of the Company. Each of Parent and its subsidiaries therefore constitutes a connected person of the Company under the Listing Rules.

1. Master Mineral Supply Agreement

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

   For the year ended 31 December 2010, the Group's expenditure for ore and clay supplied by Parent Group was RMB114.5 million.

   As the Master Mineral Supply Agreement would expire on 31 December 2010, on 4 November 2010, the Company entered into a Master Purchase of Mineral Agreement with the Parent on substantially the same terms as those in the Master Mineral Supply Agreement for a term of three years commencing from 1 January 2011. The details of the Master Purchase of Mineral Agreement were set out in the announcement of the Company dated 4 November 2010.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

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

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

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

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

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

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

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

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

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

   (a) the government-prescribed price;

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

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

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

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

   For the year ended 31 December 2010, the Group's expenditure for the production supplies and support services provided by Parent Group was RMB82.3 million.

   For the year ended 31 December 2010, the Group's revenue from the production supplies and support services provided to Parent Group was RMB499.7 million.

   As the Master Mutual Provision of Production Supplies and Support Services Agreement would expire on 31 December 2010, on 4 November 2010, the Company entered into the Master Mutual Provision of Products and Services Agreement with the Parent on substantially the same terms as those in the Master Mutual Provision of Production Supplies and Support Services Agreement for a term of three years commencing from 1 January 2011. The details of the Master Mutual Provision of Products and Services Agreement were set out in the announcement of the Company dated 4 November 2010.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

3. Master Supply of Equipment Agreement

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

   For the year ended 31 December 2010, the Group's expenditure for equipment supplied by Parent Group was RMB45.5 million.

   As the Master Supply of Equipment Agreement would expire on 31 December 2010. On 4 November 2010, the Company entered into the Master Purchase of Equipment Agreement with the Parent on substantially the same terms as those in the Master Supply of Equipment Agreement for a term of three years commencing from 1 January 2011. The details of the Master Purchase of Equipment Agreement were set out in the announcement of the Company dated 4 November 2010.

4. Master Provision of Engineering Services Agreement

   On 2 November 2007, the Company entered into a Master Provision of Engineering Services Agreement with Parent for a term of three years commencing from 1 January 2008. Pursuant to which, Parent agreed to provide, or procure its subsidiaries to provide, the Company with engineering design, construction and supervisory services. The prices of all contracts for engineering services to be provided pursuant to the Master Provision of Engineering Services Agreement shall be in accordance with the state-guided price. If there is no state-guided price, then market price shall be followed. Where contracts are to be tendered, the price for the provision of engineering services shall be set according to the procedures adopted by the tender supervisory and administrative bureau in the locality of the construction project, which should be maintained at a level reasonably close to the lowest market price. For the purpose of the Master Provision of Engineering Services Agreement, the term "state-guided price" shall mean the price which the contracting parties may agree, which is within the price range set in accordance with the applicable laws and regulations of the PRC; and the term "market price" shall mean either the price at which the same type of engineering design, construction and supervisory services are provided by Independent Third Parties in the same area, in the vicinity or in the PRC in the ordinary course of their businesses on normal commercial terms or the price at which the same type of engineering design, construction and supervisory services are provided to Independent Third Parties in the PRC on normal commercial terms. For the year ended 31 December 2010, the Group's expenditure for engineering services supplied by Parent Group was RMB64.6 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with BNBM Homes

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

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

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

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

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

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

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

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

(a) the government-prescribed price;

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

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with BNBM Homes *(Continued)*

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

   For the year ended 31 December 2010, BNBM's revenue from the production supplies and support services provided to BNBM Homes was RMB1.0 million.

   For the year ended 31 December 2010, BNBM Homes did not derive any revenue from the production supplies and support services provided to BNBM.

Transactions with Liberty Group

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

6. Provision of Technical Consultation Services Agreement

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

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

   For the year ended 31 December 2010, the Group did not derive any revenue from the technical consultation services provided to Liberty Group.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Tianma Group

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

7. Master Production Supplies and Support Services Agreement

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

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

   (a) the government-prescribed price;

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

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

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

   For the year ended 31 December 2010, the Group's expenditure for production supplies and support services provided by Tianma Group was RMB6.4 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Shuichan Group

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

8. Mutual Provision of Production Supplies and Support Services Agreement

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

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

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

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

   (a) the government-prescribed price;

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

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

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Shuichan Group *(Continued)*

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

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

   For the year ended 31 December 2010, Zhongfu Xigang's expenditure for production supplies and support services provided by Shuichan Group was RMB0.3 million.

   For the year ended 31 December 2010, Zhongfu Xigang's revenue from production supplies and support service provided to Shuichan Group was RMB0.4 million.

Transactions with Aobao Chemical

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

9. Supply of Raw Material Agreement

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

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

   For the year ended 31 December 2010, Weifang Aotai did not incur any expenditure for raw materials supplied by Aobao Chemical.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Xixiaguanhe

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

10. Provision of Production Supplies Agreement

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

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

    For the year ended 31 December 2010, Xixia China United did not incur any expenditure for slag powder provided by Xixiaguanhe.

Transactions with Xixia Logistics

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

11. Provision of Support Services Agreement

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

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

    (a) the government-prescribed price;

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

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Xixia Logistics *(Continued)*

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

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

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

    For the year ended 31 December 2010, Xixia China United did not incur any expenditure for transportation service provided by Xixia Logistics.

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

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

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

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

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

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

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

NON-EXEMPT CONNECTED TRANSACTIONS

During 2010 and up to the date of this report, the Company has entered into the following non-exempt connected transactions:

ACQUISITION OF FUJIAN CEMENT

On 17 December 2010, South Cement entered into the Share Transfer Agreement with Parent to acquire 30,090,951 shares of Fujian Cement (representing 7.88% of the issued share capital of Fujian Cement) held by Parent, at a consideration of RMB225,682,133. The completion of this transaction is subject to the approval of SASAC. As at the date of this report, such approval has been obtained from SASAC.

The Company disclosed the details on the acquisition of Fujian Cement in the announcement dated 17 December 2010.

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

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

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

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

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

NON-COMPETITION AGREEMENT

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

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2010, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

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

At the Board meetings held on 26 June 2009 and 18 June 2010, pursuant to the authorisation granted at the 2009 and 2010 annual general meeting, the Board determined to continue to engage UHY HK and Vocation International as international and domestic auditors of the Company respectively, to hold office until the conclusion of the next annual general meeting. As the H-share audit business of UHY HK was merged with Baker Tilly HK, at the Board meeting of the Company held on 4 November 2010, the directors resolved to propose in the extraordinary general meeting on 30 December 2010 to appoint Baker Tilly HK as international auditor of the Company for 2010 until the conclusion of the next annual general meeting. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

By order of the Board
Song Zhiping
Chairman

Beijing, the PRC
30 March 2011

Report of the Supervisory Committee

Dear shareholders,

In 2010, the Supervisory Committee has conscientiously performed its supervisory duties in a responsible manner and carried out supervision on the Company's operation and financial condition and the fulfilment of responsibilities by senior management, the compliance of the convening and decision-making processes of the Board meetings and the implementation procedures with relevant laws and regulations and the requirements of the Articles of Association for 2010 in the principle of fairness and honesty in strict compliance with the Company Law, relevant laws and regulations in Hong Kong and the Articles of Association of the Company, in order to safeguard interests of the Company and its shareholders on the diligent, practical and circumspective basis.

During the year, the Supervisory Committee attended Board meetings, and performed due diligence on supervision and review of convening procedures of Board meetings, resolution matters, performance of resolutions passed in general meetings by the Board of Directors, fulfillment of duties by senior management, as well as the establishment, improvement and abidance of internal control systems of the Company in accordance with relevant laws and regulations. The Supervisory Committee is of the opinion that, all members of the Board and senior management of the Company have worked in compliance with relevant laws, regulations, code on practices and the articles of association of the Company. They have also discharged their duties with honesty and diligence, implemented resolutions passed and with authority which was granted by general meetings and acted in accordance with relevant laws, regulations and provisions. Through a series of system construction, the Company has further improved its corporate governance structure and internal management framework and established the fundamental internal control systems and improved in a continuous manner.

The Supervisory Committee has duly reviewed and approved the Report of the Board of Directors proposed to be submitted to the annual general meeting, and considers that the report is in consistence with the circumstance of the Company. During 2010, all members of the Board and senior management of the Company have duly performed rights authorised by shareholders and responsibilities under laws, and dedicated themselves to make significant contributions to the development of the Company.

The Supervisory Committee has carefully reviewed financial statements, profit distribution plans, the annual report and unqualified auditor's report issued by the international auditors and domestic auditors of the Company and other relevant information for the year 2010. The Supervisory Committee is of the opinion that, the financial statements of the Company reflect in an objective, true and fair view the Company's financial condition and operating results in all major perspective, and the final accounts are truthful and reliable. The Supervisory Committee has approved the audited financial statements issued by the auditors and the 2010 profit distribution plan of the Company.

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

The Supervisory Committee is satisfied with the business activities and results of the Company for 2010, and is confident in the Company's prospects. During 2011, the Supervisory Committee will continue to perform its supervision duties with due diligence, make efforts for good work performance and safeguard the interests of shareholders in strict compliance with the articles of association of the Company.

Shen Anqin
Chairman of the Supervisory Committee

Beijing, the PRC
30 March 2011

I. MATERIAL LITIGATION AND ARBITRATION

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

II. MATERIAL TRANSACTIONS

1. Subscription of A shares of China Fibreglass and Transfer of Equity Interests in Jushi Group

On 6 April 2010, the Company and Other Parties (being a group of equity holders of Jushi holding an aggregate of 37.5% equity interest in Jushi) proposed to subscribe for approximately 154.25 million A shares of China Fibreglass, an associate of the Company, of which the Company proposed to subscribe for approximately 36.20 million shares, and in consideration, the Company and the Other Parties will transfer to China Fibreglass 11.5% and 37.5% interests in Jushi, respectively.

As of the date of this report, the transaction has not been completed.

The details on the transaction have been disclosed in the Company's announcement dated 7 April 2010.

II. MATERIAL TRANSACTIONS *(CONTINUED)*

2. Placing of New H Shares

In order to broaden the shareholders base and capital basis of the Company and to raise capital for its future business development, on 14 September 2010, 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 238,947,729 H Shares of RMB1.00 each in the share capital of the Company ("Placing Shares") at a gross price of HK$16.00 per Placing Share and a net price of HK$15.79 per Placing Share to investors. The gross price represented a discount of 6.5% to the closing price of HK$17.12 per H Share as quoted on the Stock Exchange on 14 September 2010, being the last full trading day immediately before the signing of the placing agreement. The Placing Shares comprised (1) 218,297,858 H Shares (the "New Shares") to be allotted and issued by the Company and (2) 20,649,871 H Shares (the "Sale Shares") to be converted from the same number of existing state-owned domestic shares transferred from Parent, BNBMG, Building Materials Academy and CNBM Trading (excluding the state-owned domestic shares held by Cinda) to the National Social Security Fund Council. The Placing Shares represented approximately 19.9% of then issued H share capital of the Company and approximately 16.6% of the issued H share capital of the Company as enlarged by the issue of the New Shares. The net proceeds of the placing of the New Shares were approximately HK$3,428,923,178 after deducting the commission and expenses of the placing. The Company intended to use the net proceeds from the placing of the New Shares for the repayment of bank loans and general working capital of the Company. The entire net proceeds from the placing of the Sale Shares were remitted to the Ministry of Finance of the PRC.

The details on the Placing Shares have been disclosed in the Company's announcement dated 14 September 2010. As at the date of this report, the placing has been completed and the Placing Shares have been placed to not less than six independent professional, institutional and/or individual investors.

DIRECTORS

Executive Directors

Song Zhiping, aged 54, is an executive Director and Chairman of the Company. He has been the chairman of Parent since October 2005. Mr. Song joined the Group since May 1997 and has over 30 years of business and management experience in China's building materials industry. He served as the general manager of Parent from March 2002 to October 2005 and the chairman of China United during the period from March 2003 to April 2005. He also served as the vice general manager of general affairs and the vice general manager of Parent from December 1998 to March 2002 and from October 1995 to December 1998, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM. Apart from serving as the chairman and the secretary of the Party Committee of BNBMG since January 1996 and June 1996, respectively, Mr. Song served several positions in BNBMG (both prior to and after its conversion) from 1987 to 2002, including deputy director and director of the factory, and general manager. Mr. Song received a master's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in June 2002. Mr. Song is qualified as a senior engineer and is currently a member of National MBA Education Supervisory Committee (NMESC)（全國工商管理碩士教育指導委員會）. He is also the vice president of China Building Materials Industry Association（中國建築材料聯合會）, the vice president of the Third Session of China Logistics Alliance Network（第三屆中國物流與採購聯合會）and the vice chairman and officer of the China Capital Entrepreneurs' Club（首都企業家俱樂部）. Mr. Song received a number of awards for his management and entrepreneurial skills from 1993 to 2003, including 500 Chinese Enterprise's Pioneers（中國500名企業創業者）, National Outstanding Young Entrepreneur（全國優秀青年企業家）, the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards（第八屆全國優秀企業家金球獎）, Management Elite Award（管理人物精英獎）, Chinese Entrepreneur for the year of 2003（2003年度中國創業企業家）and one of the Top Ten Merger and Acquisition Businessmen in PRC（中國十大並購人物）for 2007. Mr. Song Zhiping was awarded the Yuan Baohua Enterprise Management Gold Award（袁寶華企業管理金獎）and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章) in March 2008. And he was awarded the title of "National Model Worker"（全國勞動模範）in April 2010.

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Cao Jianglin, aged 44, is an executive Director of the Company. Mr. Cao joined the Group since April 1992 and has over 20 years of business and management experience in the building materials industry. Mr. Cao has been the chairman of the board of directors of BND (currently knowns CNBM Investment) and BNS Company Limited（北新科技發展有限公司）since March 2002, the chairman of China Fibreglass since June 2002, directors of China Composites and China Triumph since September 2004, the Chairman of the supervisory committee of China United since April 2005, a director of Parent since October 2005, the Chairman of South Cement since September 2007, the Chairman of North Cement since March 2009 and the Chairman of the Supervisory Committee of BNBM since September 2009. From October 2004 to August 2009, Mr. Cao was the chairman of BNBM. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the president of BND from December 2000 to April 2004, general manager of China Fibreglass from June 2002 to March 2005, assistant to the general manager and the vice general manager of Parent from April 2002 to October 2005, assistant to the general manager, vice general manager and the general manager of BNBMG from April 1998 to March 2005, and general manager of China National Building Material & Equipment Import and Export Zhujiang Corporation（中國建築材料及設備進出口珠江公司）from April 1998 to March 2002. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao was elected as the vice president of China Building Materials Industry Association（中國建築材料聯合會）, vice president of China Youth Entrepreneurs Association（中國青年企業家協會）, chairman of the Listed Companies Association of Beijing（北京上市公司協會）. In May 2010, Mr. Cao was granted the title of "Excellent Enterpreneur of the State" for 2010. He is a senior accountant.

Li Yimin, aged 57, is an executive Director of the Company. Mr. Li joined the Group since May 1997 and has over 20 years of business and management experience in China's building materials industry. Mr. Li has served as the director of China United since April 2005 and the director of CNBM Investment since August 2008, the chief engineer of Parent from December 2003 to March 2005, the chairman of BNBM from April 2002 to February 2004, and the general manager of BNBM from May 1997 to April 2002. From January 1996 to December 2003, Mr. Li served successively as the vice general manager, vice chairman and the general manager of BNBMG. He also served as the deputy head of BNBMG (prior to its conversion from Beijing New Building Materials Factory) from September 1985 to January 1996. Mr. Li graduated from electro-mechanical engineering from Shanghai Tongji University in August 1978 and received a master's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in 1995. Currently Mr. Li serves as the president of China Insulation & Energy Efficiency Materials Association (中國絕熱節能材料協會). He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council.

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Peng Shou, aged 50, is an executive Director of the Company. Mr. Peng joined the Group in June 2001 and has over 20 years of business and management experience in China's building materials industry. He is an expert in inorganic materials research and development, engineering design and consulting. Mr. Peng has served as the chairman of China Triumph since September 2004 and the general manager of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Building Material Industrial Institute (now Wuhan University of Technology) in December 1982 and a master's degree in management from Wuhan Industrial University (now Wuhan University of Technology) in January 2002. He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council and National May Day Labor Medal. He is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程) . And he was rewarded a title of "National Model Worker"(全國勞動模範)in April 2010. Since July 2003, Mr. Peng is a director of general affairs and the deputy chairman of the fourth general committee of the China Building and Industrial Glass Committee. Since July 2007, Mr. Peng has been serving as an executive member and vice chairman of International Commission on Glass.

Cui Xingtai, aged 49, is an executive Director of the Company. Mr. Cui joined the Group since June 1999 and has over 25 years of business and management experience in China's building materials industry. He has served as the secretary of the Party Committee of China United since August 2004, the chairman of China United since April 2005 and a director of South Cement since September 2007. Mr. Cui served as the vice chairman of China United from August 2004 to April 2005, deputy chief engineer of Parent from November 2003 to March 2005, chief engineer of China United from July 1999 to August 2004, and deputy general manager of China United from April 2002 to August 2004. From June 1997 to January 1999, Mr. Cui served as the head of Shandong Lunan Cement Factory. Mr. Cui received a bachelor's degree in engineering from Wuhan Industry University (now Wuhan University of Technology) in July 1984 and graduated in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he was granted the master's degree in business administration for senior management by Tsinghua University on 17 January 2008. He is qualified as a senior engineer. Mr. Cui has been the vice president of China Cement Association since December 2007.

DIRECTORS *(CONTINUED)*

Non-Executive Directors

Cui Lijun, aged 50, is a non-executive Director of the Company. Ms. Cui joined the Group since September 1998 and has over 20 years of business and management experience in China's building materials industry. Ms. Cui has served as a director of BNBM since June 2003. Since August 1997, she has served successively as the financial manager of BNBMG and financial manager of BNBM. She is currently the President and deputy chairwoman of BNBMG. Ms. Cui graduated in the investment management from the Graduate School of Chinese Academy of Social Sciences in November 1998. _

Huang Anzhong, aged 47, is a non-executive Director of the Company. Mr. Huang joined the Group since March 2003 and has over 20 years of business and management experience in China's building materials industry. Mr. Huang served as the vice president and the president of China National Building Material & Equipment Import and Export Company from April 1996 to January 2005, and the president of CNBM Trading since January 2005. He was appointed as vice general manager of Parent on 24 December 2009. Mr. Huang graduated with a bachelor's degree in engineering from Nanjing Institute of Chemical Technology in July 1985 and graduated in the business management from the Graduate School of Chinese Academy of Social Sciences in November 1998. He received an EMBA degree from Xiamen University in June 2005. He is currently a senior economist.

Zuo Fenggao, aged 55, is a non-executive Director of the Company. Mr. Zuo joined the Group in March 2005 and has over 20 years' experience in business and management. Mr. Zuo has served as the president of Cinda Property Insurance Company Limited (信達財產保險股份有限公司) since January 2010. Mr. Zuo was the head of Cinda, Beijing representative office from May 2004 to October 2009. Mr. Zuo also served as the deputy head of Cinda, Beijing representative office from September 1999 to May 2004, the head of the Beijing Xisi sub-branch of China Construction Bank from January 1997 to September 1999, the deputy director and general manager of the mortgage department in China Construction Bank, Beijing branch and the deputy head of the Beijing Qianmen Sub-branch of China Construction Bank from June 1989 to January 1997. Mr. Zuo graduated in monetary and banking from the Faculty of Finance and Economics of the Graduate School of Chinese Academy of Social Sciences in July 1998. He is currently an economist.

Independent Non-executive Directors

Zhang Renwei, aged 70, is an independent non-executive Director of the Company. Mr. Zhang joined the Group since March 2005 and has over 40 years of business and management experience in China's building materials industry. Mr. Zhang has served as an independent non-executive director of Shanghai Yaopi from June 2003 to June 2009, the president of China Building Materials Federation (formerly known as China Construction Material Industry Committee) since February 2001 and the chairman of China Silicate Academy since January 2000. He also served as the director and secretary-general of State Bureau of Building Materials Industry from January 1994 to February 2001 and the deputy director of the same bureau from July 1985 to January 1994. Mr. Zhang graduated from East China Institute of Chemical Technology (now known as East China University of Technology) in 1963, majoring in silicate studies. He is qualified as a senior engineer at professor level.

DIRECTORS *(CONTINUED)*

Independent Non-Executive Directors *(Continued)*

Zhou Daojiong, aged 77, is an independent non-executive Director of the Company. From June 2003 to December 2009, Mr. Zhou served as an independent non-executive director of Harbin Power Equipment Company Limited (哈爾濱動力設備股份有限公司), a company listed on the Stock Exchange and accumulated experience in the review and establishment of internal controls, risk management measures and corporate governance of publicly listed companies. Mr. Zhou joined the Group since May 2005 and has over 50 years' experience in macro-economic management and finance. From March 1998 to March 2003, Mr. Zhou served as a member of the standing committee and the finance and economic committee of the 9th NPC. He also served as the audit commissioner of the State Council from March 1998 to August 2000. His primary responsibilities in the NPC and the State Council include monitoring corporate accounting and budgets, examining and supervising financial budgets of the PRC, participated in enacting PRC legislation on securities and futures development and supervising the implementation of such legislation. From March 1995 to June 1997, Mr. Zhou served as the chairman of CSRC. His primary responsibilities in CSRC include regulating the securities market of the PRC, participated in drafting securities law, reviewing financial statements of listing applicants and listed companies to ensure compliance with the relevant securities law and corporate governance requirements, and monitoring the trading activities of listed companies. From December 1984 to August 2000, Mr. Zhou served a number of key positions in China Construction Bank, including the secretary-general, the president and the chairman of the supervisory committee of China Construction Bank. He also served as the vice president of National Development Bank and the deputy director of the securities committee of the State Council. Before December 1984, Mr. Zhou served as the department head of the finance department, and the secretary general of Anhui provincial government. Mr. Zhou is currently the chairman of China Society of Urban Economy (中國城市經濟學會會長), the chairman of PECC China Finance Committee (中國金融委員會), chairman of Taoxing Zhi Fund of China (中國陶行知基金會) and China Investment Development and Promotion Association (中國投資發展促進會), the honorary chairman of China Investment Association (中國投資學會), and the consultant of the China Capital Entrepreneurs' Club (首都企業家俱樂部). Mr. Zhou is also qualified as a senior economist. Mr. Zhou is experienced in financial management, risk management measures and corporate governance of publicly listed companies.

DIRECTORS *(CONTINUED)*

Independent Non-Executive Directors *(Continued)*

Chi Haibin, aged 79, is an independent non-executive Director of the Company. Mr. Chi joined the Group since May 2005 and has an in-depth knowledge of the PRC accounting standards. Mr. Chi has been the chairman of China Accounting Association (中國會計學會) since 1996 and served as the vice chairman of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) from June 1996 to November 2004. The primary responsibilities of Mr. Chi, as the chairman of China Accounting Association and the vice chairman of the Chinese Institute of Certified Public Accountants, include providing proposals to the relevant supervision authorities on the accounting and finance rules and regulations in the PRC, studying and researching on the internal accounting standards, formulating rules and code of practice for PRC certified public accountants, and monitoring the implementation of such rules and code of practice in the PRC. Mr. Chi is qualified as a senior economist and has over 50 years' experience in macro-economic management. Mr. Chi joined the Ministry of Finance in 1954, and served in a number of significant positions therein from December 1954 to April 1993, including the deputy supervisor and deputy director of the economic construction division and the deputy head of the Ministry of Finance. From April 1993 to March 2003, Mr. Chi was also appointed as a member of the Standing Committee and the deputy supervisor of the finance and economic committee of the 8th NPC and a member of the standing committee and the finance and economic committee of the 9th NPC. His primary responsibilities in the Ministry of Finance and the NPC include monitoring corporate accounting and budgets, examining and supervising financial budgets of the PRC, participated in enacting PRC legislation on economics and supervising the implementation of such legislation. Mr. Chi has served as an independent non-executive director of Fengfan Co., Ltd. (風帆股份有限公司), a company listed on the Shanghai Stock Exchange, from April 2004 to April 2008 and has accumulated experience in the review and establishment of internal controls, risk management measures and corporate governance of publicly listed companies.

Li Decheng, aged 65, is an independent non-executive Director of the Company. He holds a Bachelor's degree. Mr. Li joined the Group since June 2008 and has accumulated over 30 years of experience in the field of economic management. From 1978 to 1983, he was the staff member and deputy head for the Economic Committee of Jilin Province. He was the deputy chief and member of the Party Committee for Economic Committee of Jilin Province from September 1983 to January 1985, and served as the chief and secretary to the Party Committee for Economic Planning Committee of Jilin Province from January 1985 to June 1987. He also assumed positions including deputy chief (equivalent to head of department), chief and secretary to the Party Committee for Economic System Reform Committee of Jilin Province from February 1988 to March 1992. He was a member of the Standing Committee, secretary to industry committee and general manager of Municipal Investment Management Company in Shenzhen from September 1993 to October 1994. From May 1995 to May 2000, he was a member of the Standing Committee and standing deputy city mayor of Shenzhen. He was the deputy secretary of the Standing Committee and standing deputy city mayor of Shenzhen from May 2000 to March 2002. He was a member of the Standing Committee, standing deputy city mayor, chairman as well as the secretary of Party Committee of the 3rd Shenzhen Committee of Chinese People's Political Consultative Conference ("CPPCC") from March 2002 to March 2004. From March 2004 to April 2008, he served as the chairman and the secretary to the Party Committee of the 4th Shenzhen Committee of CPPCC. He currently serves as the executive vice chairman and director of the China Enterprise Confederation and the member of 10th and 11th National Committee of CPPCC. He is a qualified engineer.

DIRECTORS *(CONTINUED)*

Independent Non-Executive Directors *(Continued)*

Lau Ko Yuen, Tom, aged 59, is an independent non-executive Director of the Company. Mr. Lau joined the Group in January 2006. He has over 36 years of experience in international investment, corporate development and management in infrastructure developments as well as construction and engineering services involving roads, railways, ports, power plants, telecommunications, mining and resources sectors in Asia-Pacific region. Mr. Lau currently is the deputy chairman, the president and executive director of PYI Corporation Limited, deputy chairman and non-executive director of Paul Y. Engineering Group Limited as well as the deputy chairman and non-executive director of Prosperity Investment Holdings Limited.

SUPERVISORS

Shen Anqin, aged 61, is the Chairman of the Supervisory Committee of Company. Mr. Shen has accumulated over 20 years' experience in supervisory roles and management position since he joined the Group in July 1999. Mr. Shen has been the vice general manager of Parent from August 1998 to November 2009 and the chief accountant of Parent since September 2003. From September 1990 to August 1998, Mr. Shen served successively as the deputy head of the Comprehensive Development and Economic and Finance Division, the head of Economic and Finance Division, and the deputy director of the Finance and State-owned Assets Supervision Division, of the State Bureau of Building Materials Industry. Mr. Shen received a bachelor's degree in engineering from Xi Bei Electric Engineering School (now Xi Dian University) in April 1982. He is qualified as a senior accountant.

Zhou Guoping, aged 51, is a Supervisor of the Company. Ms. Zhou joined the Group since July 1999 and has about 20 years' experience in supervisory roles and management positions. Ms. Zhou has been the assistant to the general manager of Parent since October 2003, the financial manager of Parent from April 2002 to December 2009 and the chief economist of Parent since December 2009. From March 1992 to April 2002, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Building Materials Technology Institute (now Wuhan University of Technology) in July 1982 and a master's degree in Senior Management in Business Administration from Xiamen University in 22 December 2006. She is qualified as a senior economist.

Cui Shuhong, aged 43, is a Supervisor of the Company. Ms. Cui joined the Group since October 2001 and has over 15 years' experience in supervisory roles and management positions. Ms. Cui has been the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990. She is qualified as a senior economist.

SUPERVISORS *(CONTINUED)*

Liu Zhiping, aged 48, is a Supervisor of the Company. Mr. Liu had nearly 20 years of experience in economic management and investment. Mr. Liu was the deputy head of Policy & Law department of National Foreign Currency Bureau from August 1988 to November 1993, and deputy head of Foreign Currency Management Office（外匯管理處）of National Foreign Currency Bureau (Hainan Branch) from November 1993 to November 1994. From November 1994 to May 2002, Mr. Liu also served as the General Manager of Foreign Currency Department（外匯業務部）in China Education Technology Trust Investment Company. From May 2002 to December 2003, Mr. Liu was Assistant to the General Manager of Zhongxin Group Financial Company. He was the General Manager of Strategic Development Department of Financial Company of HNA Group Co., Ltd. from January 2004 to July 2004, and deputy head of General Manager's office of China National Building Material Group Corporation from August 2004 and March 2005. Mr. Liu graduated from Jilin Financial College in July 1985 with a Bachelor's degree in economics, and was granted a Master's Degree in Banking and Currency in July 1988. He obtained a Doctor's Degree of Management from Huazhong Technical University in October 2000. Mr. Liu has joined the Group in March 2005 and served as the General Manager of the Company's Investment Development Department since March 2005. Mr. Liu is a senior economist and was titled an outstanding staff of National Foreign Currency Bureau in 1992.

Ma Zhongzhi, aged 67, is a Supervisor of the Company. Mr. Ma has more than 40 years of experience in business and management covering the supervision and management of banking and securities regulation. He served as a deputy branch manager of the People's Bank of China Shenyang Branch between June 1984 and November 1997, and deputy head of the headquarters of the People's Bank of China between November 1991 and September 1992. From September 1992 to November 1998, he served as deputy head and head of the office of Securities Commission of the State Council. From June 1994 to November 1998, he took the position of member of the Party committee and secretary general of CSRC. He also served as audit commissioner of the State Council from November 1998 to June 2000, and Chairman of the Supervisory Committee for key State-owned enterprises of the State Council from June 2000 to April 2007. Since 18 March 2008, Mr. Ma has been an independent director and Chairman of the Audit Committee of Standard Chartered Bank (China) Limited. Mr. Ma is a senior economist, and has been honoured as a national expert who has made outstanding contributions, by the People's Bank of China. Since January 1993, he has also worked as part-time professor and postgraduate tutor in the Graduate School of the People's Bank of China. He is a senior economist. He wrote a book entitled Study and Thought on the Japanese Securities Market, edited books like A Must-read for Financing in the U.S. Securities Market and Issuance of Convertible Bonds and Market Practices, and authored a book entitled Basic Knowledge of Securities Market.

Liu Chijin, aged 48, is an independent Supervisor of the Company. Mr. Liu joined the Group since May 2005 and has over 20 years' experience in supervisory roles and management positions. He has been the chairman and the president of Pan-Pacific Management Research Center（泛太管理研究中心）since 2002 and the general manager and chairman of Beijing Pan-Pacific Management Training Company Limited（北京泛太管理培訓有限公司）since 2004. Mr. Liu also served as the vice president of Nokia (China) Investment Company Limited from 1999 to 2001, the senior vice president of Ericsson (China) Limited and head of Ericsson China Institute from 1997 to 1999 and the vice president of Dover Corporation in the United States from 1993 to 1995. From 1985 to 1988, Mr. Liu served as an assistant professor of the Shandong Building Material Institute. He is currently the deputy director of the China Capital Entrepreneurs' Club, a member of the strategy committee of China Life Insurance Group, a part-time professor of National School of Administration, the chairman of Beijing Alumni Association of Harvard Business School, joint director of the EMBA project of the Management School of Xiamen University. Mr. Liu received a master's degree in physics from the University of Memphis in 1990, and an MBA degree from Harvard Business School in 1997.

SENIOR MANAGEMENT

Cao Jianglin, aged 44, is the president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Li Yimin, aged 57, is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Peng Shou, aged 50, is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

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

Zhang Dingjin, aged 53, is a vice president of the Company. Mr. Zhang joined the Group since August 1999 and has over 20 years of business and management experience in China's building materials industry. He has served as the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor's degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council.

Chang Zhangli, aged 40, is a vice president of the Company. Mr. Chang joined the Group in August 1997 and has over 15 years' experience in handling domestic listing-related matters for the Group, with participation in all major matters relating to the Company's Global Offering and listing of its shares on the Stock Exchange. Mr. Chang served as the director of CNBM Investment since December 2000, the director of China Fibreglass since July 2005 the director of South Cement since September 2007, the director of BNBM since July 2008 and the director of North Cement since March 2009. From August 1997 to March 2005, Mr. Chang served in a number of key positions in BNBM, including the deputy manager and manager of the securities division, the manager of the management and corporate planning division, the secretary to the board of directors and the deputy general manager. During this period, in addition to performing his general corporate duties for BNBM, Mr. Chang was responsible for handling all legal matters related to BNBM and was actively involved in the reorganization and acquisitions of BNBM and its various subsidiaries. Mr. Chang graduated with a bachelor's degree in engineering from Wuhan Industrial University (now Wuhan University of Technology) in July 1994, and received an MBA degree from Tsinghua University in June 2005. Currently, Mr. Chang is the secretary to the Board and general manager of the legal division of the Company and he is also a member of Central Enterprises Youth Federation, the deputy secretary of the Listed Companies Association of Beijing.

SENIOR MANAGEMENT *(CONTINUED)*

Chen Xuean, aged 46, is the chief financial officer of the Company. Mr. Chen joined the Group since March 2005 and has over 20 years' experience in finance. Mr. Chen served as a supervisor of China Fibreglass since July 2005, a director of China United since October 2006, a director of South Cement since September 2007 and a director of CNBM Investment since August 2008. Mr. Chen served as the head of the Central Department of Statistics and Evaluation Division of the Ministry of Finance from June 2000 to January 2004. He also served as the head of the Monitoring Department of Statistics and Evaluation Division of the Ministry of Finance, the deputy head of Assets Inspection and Verification Department of Statistics and Evaluation Division of the Ministry of Finance, and the deputy head of finance department of general office of SASAC from August 1995. Mr. Chen received a master's degree in management from Beijing Institute of Technology in November 1999. He is currently a senior accountant.

Yao Jixin, aged 55, is a vice president of the Company. Mr. Yao has over 25 years of operation and management experience in cement industry. Mr. Yao served as party committee member and deputy plant manager of Jiangshan Cement Plant（江山水泥廠）from November 1984 to July 1990, executive deputy plant manager of Zhejiang Cement Plant from July 1990 to August 1994, party committee member, vice chairman and general manager of Zhejiang Sanshi Cement Company Limited（浙江三獅水泥股份有限公司）from August 1994 to September 1997. He has been serving as the chairman of Zhejiang Sanshi Cement Company Limited since September 1997 and the chairman of Zhejiang Sanshi Group Company Limited since March 1998. Mr. Yao served as the general manager of Zhejiang Sanshi Group Company Limited from March 1999 to August 2009, and the party committee secretary of Zhejiang Sanshi Group Company Limited since March 1999. Mr. Yao served as the president of South Cement from September 2008 to June 2009, and has been serving as the vice chairman of South Cement since June 2009. Currently, Mr. Yao is the vice president of China Building Material Federation and vice president of China Cement Association. Mr. Yao has won many awards, including National Outstanding Young Entrepreneur, Outstanding Business Management Worker in National Building Material Industry, National May Day Labor Medalist, National Excellent Entrepreneur, Top Ten Outstanding Figures in China Cement Industry during the 15th Five-Year Plan Period as well as the First Award of National Enterprise Management Modernization Innovation Achievement. Mr. Yao graduated from Macau University of Science and Technology with an MBA degree in Business Management in October 2005. Currently, Mr. Yao is a Ph.D candidate for Management major in Macau University of Science and Technology. Mr. Yao is a senior economist.

SENIOR MANAGEMENT *(CONTINUED)*

Xiao Jiaxiang, aged 48, is a vice president of the Company. Mr. Xiao joined the Group since February 2009 and has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. From July 1982 to July 1991, Mr. Xiao served as assistant engineer, engineer, deputy head and head of the mine workshop of Guizhou Shuicheng Cement Plant. From July 1991 to November 2001, he served as director, assistant to general manager, vice general manager and standing party committee member in Huaxin Cement (Group) Co., Ltd. From November 2001 to March 2004, he served as Deputy Party Secretary and mayor of Daye City, Hubei Province. From March 2004 to December 2005, he served as Party Secretary of Daye City, Hubei Province and Director of People's Congress of Daye City. From February 2006 to February 2008, he served as President of Tianrui Corporation, and concurrent Chairman and General Manager of Tianrui Group Cement Co., Ltd. He has served as the president of South Cement since June 2009. Mr. Xiao graduated from Wuhan Industrial University (now Wuhan University of Technology) with a bachelor's degree in non-metallic mining major in July 1982, received an MBA degree from Wuhan University of Technology in 1997 and a PhD degree in management from Huazhong University of Science & Technology in 2004. He is a professor level senior engineer. Mr. Xiao has been the vice chairman of China Cement Association since April 2007. He was honoured as a national outstanding scientific worker and the national advanced individual in quality management, and was granted awards including National Frontier Excellence Awards.

Wang Bing, aged 39, is a vice president of the Company. Mr. Wang has been with the Group since July 1998 and has accumulated over 15 years of business and management experience in building materials industry. Mr. Wang served as the regional manager of BNBMG from July 1994 to July 1998 and general manager of Chengdu Southwest Beijing New Building Material Company Limited (成都西南北新建材有限公司) from July 1998 to September 2002, assistant to general manager and deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司，currently known as (China Fibreglass)) from October 2002 to February 2004. From February 2004 to August 2009, Mr. Wang served as general manager of BNBM. He has been the chairman of BNBM since August 2009 and vice president of the Company since June 2009. Mr. Wang graduated from Automation Department of Wuhan Industry University (now Wuhan University of Technology) in July 1994 and graduated from China Europe International Business School in September 2005. Mr. Wang is currently studying for a doctorate degree in Wuhan University of Technology. Mr. Wang is a vice chairman and deputy director of the China Capital Entrepreneurs' Club (企業家俱樂部副理事長兼副主任), the director of New Building Material Expert Committee under China Building Materials Industry Economic Research Association (中國建材工業經濟研究會新型建材專家委員會主任), an executive director of China Building Materials Federation, a vice chairman of China Heat-proof & Energy-saving Materials Association (中國絕熱節能材料協會副會長), a vice chairman of China Building Materials Circulation Association (中國建材流通協會副會長), a vice chairman of China Decoration Material Association (中國裝飾裝修材料協會) and a vice chairman of Beijing Building Materials Industry Association (北京建材行業協會副會長). Mr. Wang was granted various awards, including the Fourth Session of National Building Material Industry Outstanding Entrepreneur (第四屆全國建材行業優秀企業家) and the National Construction and Decoration Industry Outstanding Entrepreneur (全國建築裝飾行業優秀企業家).

SENIOR MANAGEMENT *(CONTINUED)*

Cai Guobin, aged 44, is a vice president of the Company. Mr. Cai has been with the Group since 1998 and has over 20 years experience in building material industry. Mr. Cai served as deputy manager of planning and Financial Department of CNBM Trading Zhujiang branch from June 1998 to November 1999, assistant to general manager of China National Building Material & Equipment Import and Export Zhujiang Corporation from November 1999 to January 2001, director and vice president of BND (currently known as CNBM Investment) from January 2001 to April 2004. He has been director and the president of CNBM Investment since April 2004. From 2002 to 2006, he served as the supervisor of China Fibreglass, and the director and vice general manager of China Fibreglass from May 2006 to October 2009. Mr. Cai has been the vice chairman of China Fibreglass since October 2009, a director of South Cement since September 2007 and the vice president of the Company since August 2009. Mr Cai was honoured as Outstanding Party Member of Shenzhen for 2006, Outstanding Entrepreneur of Building Materials Industry for 2006（建材行業優秀企業家）and listed in Elites' Register of Building Materials Industry in 2008（建材行業精英錄）. Mr. Cai graduated from Shanghai University of Finance and Economics (majoring in accounting education) with a bachelor's degree in economics in July 1990. He is a certified accountant.

QUALIFIED ACCOUNTANT

Pei Hongyan, aged 37, is the qualified accountant of the Company. She joined the Group in May 2001 and has over 10 years of experience in accounting. She served as a senior accountant of the finance division of Parent from November 2003 to April 2005 and an assistant to the general manager of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a master's degree in management from Dongbei University of Finance and Economics in 1999, and is a fellow member of the Association of Chartered Certified Accountants. She is also a non-practising member of the Chinese Institute of Certified Public Accountants. Ms. Pei works on a full time basis for the Company.

JOINT COMPANY SECRETARIES

Chang Zhangli, aged 40, is the joint company secretary of the Company. Please refer to the section headed "Senior Management" for the biographical details.

Lo Yee Har Susan, aged 52, is the joint company secretary of the Company. Ms. Lo is a director of Corporate Services Department of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Lo has over 20 years of experience in the company secretarial area. She has served in a number of companies listed on the Stock Exchange. Apart from the Company, she is currently the company secretary or the joint company secretary of four companies listed on the Stock Exchange.

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

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

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 212, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 30 March 2011

	Note	**2010** *RMB'000*	2009 *RMB'000*
Revenue	5	**51,987,763**	33,297,363
Cost of sales		**(40,778,919)**	(26,798,003)
Gross profit		**11,208,844**	6,499,360
Selling and distribution costs		**(1,810,719)**	(1,267,429)
Administrative expenses		**(2,863,083)**	(1,871,691)
Investment and other income	7	**2,158,284**	2,036,833
Other expenses		**(208,532)**	(148,072)
Finance costs — net	8	**(2,578,960)**	(1,516,443)
Share of profit of associates	20	**198,183**	9,394
Profit before income tax	10	**6,104,017**	3,741,952
Income tax expense	11	**(1,360,977)**	(664,059)
Profit for the year		**4,743,040**	3,077,893
Profit attributable to:			
Owners of the Company		**3,369,433**	2,352,396
Non-controlling interests		**1,373,607**	725,497
		4,743,040	3,077,893
Earnings per share — basic and diluted *(RMB)*	13	**1.33**	0.96

The accompanying notes are an integral part of the consolidated financial statements.

Dividends			
— paid	12	**173,685**	111,655
— proposed	12	**502,109**	173,685

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**4,743,040**	3,077,893
Other comprehensive loss:		
— Currency translation differences	**(1,455)**	(150)
Total comprehensive income for the year	**4,741,585**	3,077,743
Total comprehensive income attributable to:		
Owners of the Company	**3,367,978**	2,352,246
Non-controlling interests	**1,373,607**	725,497
Total comprehensive income for the year	**4,741,585**	3,077,743

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement Of Financial Position

As At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	14	**51,721,651**	36,589,612
Prepaid lease payments	15	**6,208,991**	4,706,127
Investment properties	16	**285,575**	282,815
Goodwill	17	**9,034,431**	7,044,298
Intangible assets	18	**1,480,261**	983,407
Investments in associates	20	**3,152,043**	2,879,108
Available-for-sale financial assets	21	**148,911**	139,414
Deposits	22	**2,794,729**	3,075,778
Deferred income tax assets	32	**753,946**	454,802
		75,580,538	56,155,361
Current assets			
Inventories	23	**7,209,560**	4,741,566
Trade and other receivables	24	**17,111,259**	10,009,431
Held-for-trading investments	21	**446,626**	313,968
Amounts due from related parties	25	**1,811,141**	973,390
Pledged bank deposits	27	**1,267,802**	971,688
Cash and cash equivalents	27	**7,971,737**	3,843,633
		35,818,125	20,853,676
Assets classified as held for sale	28	**117,687**	—
		35,935,812	20,853,676
Current liabilities			
Trade and other payables	29	**18,707,107**	14,419,297
Amounts due to related parties	25	**563,294**	1,112,354
Borrowings	31	**28,187,970**	21,942,921
Derivative financial instruments	30	**1,111**	—
Obligations under finance leases	33	**572,426**	257,055
Current income tax liabilities		**1,248,421**	582,324
Financial guarantee contracts due within one year	34	**3,588**	1,640
Dividend payable to non-controlling shareholders		**185,416**	4,379
		49,469,333	38,319,970
Net current liabilities		**(13,533,521)**	(17,466,294)
Total assets less current liabilities		**62,047,017**	38,689,067

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Borrowings	31	**30,930,495**	19,073,005
Deferred income		**320,912**	145,531
Obligations under finance leases	33	**1,803,705**	1,003,656
Financial guarantee contracts due after one year	34	**9,710**	13,140
Deferred income tax liabilities	32	**1,083,809**	938,307
		34,148,631	21,173,639
Net assets		**27,898,386**	17,515,428
Capital and reserves			
Share capital	35	**2,699,513**	2,481,215
Reserves		**16,462,967**	10,413,552
Capital and reserves attributable to owners of the Company		**19,162,480**	12,894,767
Non-controlling interests		**8,735,906**	4,620,661
Total equity		**27,898,386**	17,515,428

The accompanying notes are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 89 to 97 were approved by the Board of Directors on 30 March 2011 and were signed on its behalf.

Song Zhiping
Director

Cao Jianglin
Director

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2010

	Attributable to owners of the parent								
	Share capital	**Share premium**	**Capital reserves**	**Statutory surplus reserve fund *(Note 36)***	**Exchange reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	2,208,488	3,265,944	518,222	279,522	(1,862)	2,560,036	8,830,350	3,302,874	12,133,224
Total comprehensive income for the year	—	—	—	—	(150)	2,352,396	2,352,246	725,497	3,077,743
Issue of share	272,727	1,551,099	—	—	—	—	1,823,826	—	1,823,826
Dividends *(Note 12)*	—	—	—	—	—	(111,655)	(111,655)	—	(111,655)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	(147,467)	(147,467)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note 37(a))*	—	—	—	—	—	—	—	71,883	71,883
Contributions from non-controlling shareholders	—	—	—	—	—	—	—	1,010,544	1,010,544
Decrease in non-controlling interests as a result of increase in interests in subsidiaries	—	—	—	—	—	—	—	(342,670)	(342,670)
Appropriation to statutory reserve	—	—	(283)	100,356	—	(100,073)	—	—	—
Balance at 31 December 2009	2,481,215	4,817,043	517,939	379,878	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428

Consolidated Statement Of Changes In Equity *(Continued)*

For The Year Ended 31 December 2010

	Attributable to owners of the parent								
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36)*	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	2,481,215	4,817,043	517,939	379,878	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428
Total comprehensive income for the year	—	—	—	—	(1,455)	3,369,433	3,367,978	1,373,607	4,741,585
Issue of share	218,298	2,706,951	—	—	—	—	2,925,249	—	2,925,249
Dividends *(Note 12)*	—	—	—	—	—	(173,685)	(173,685)	—	(173,685)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	(383,392)	(383,392)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note (37(a))*	—	—	—	—	—	—	—	813,118	813,118
Contributions from non-controlling shareholders	—	—	—	—	—	—	—	2,703,457	2,703,457
Decrease in non-controlling interests as a result of increase in interests in subsidiaries	—	—	(35,389)	—	—	—	(35,389)	(235,108)	(270,497)
Increase in non-controlling Interests as a result of decrease in interests in subsidiaries	—	—	183,560	—	—	—	183,560	(156,437)	27,123
Appropriation to statutory reserve	—	—	—	278,199	—	(278,199)	—	—	—
Balance at 31 December 2010	2,699,513	7,523,994	666,110	658,077	(3,467)	7,618,253	19,162,480	8,735,906	27,898,386

The accompanying notes are an integral part of the consolidated financial statements.

	2010	2009
	RMB'000	*RMB'000*
Operating activities		
Profit before income tax	**6,104,017**	3,741,952
Adjustments for:		
Share of profit of associates	**(198,183)**	(9,394)
Finance costs	**2,693,963**	1,806,213
Interest income	**(115,003)**	(289,770)
Dividend from available-for-sale financial assets	**(5,081)**	—
Impairment loss on property, plant and equipment	**154,637**	6,087
Impairment loss on prepaid lease payments	**—**	9,210
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(35,951)**	(4,807)
Increase in fair value of held-for-trading investments	**(77,984)**	(154,400)
Deferred income released to the consolidated income statement	**(50,885)**	(41,758)
Depreciation of property, plant and equipment and investment properties	**1,940,290**	1,397,952
Amortisation of intangible assets	**85,804**	60,133
Financial guarantee income	**(1,482)**	(6,940)
Prepaid lease payments released to the consolidated income statement	**119,898**	95,152
Waiver of payables	**(80,755)**	(258,285)
Allowance for bad and doubtful debts	**149,079**	32,941
Recovery of bad debts previously written off	**—**	(80,054)
Write-down/(reversal of provision) of inventories	**2,910**	(569)
Fair value loss on derivative financial instruments	**1,111**	—
Staff costs arising from share appreciation rights	**2,877**	2,877
Impairment loss in available-for-sales financial assets	**600**	—
Discount on acquisition of interests in subsidiaries/additional interests in subsidiaries	**(52,032)**	(188,264)
Net foreign exchange losses	**101,869**	87,586
Gain on disposal of subsidiaries	**(10,740)**	(28,105)
Operating cash flows before working capital changes	**10,728,959**	6,177,757
Increase in inventories	**(1,664,910)**	(739,784)
Increase in trade and other receivables	**(5,555,617)**	(17,565)
Increase in held-for-trading investments	**(54,674)**	(50,705)
(Increase)/decrease in amounts due from related parties	**(294,396)**	776,665
Increase/(decrease) in trade and other payables	**3,854,761**	(1,324,104)
Decrease in amounts due to related parties	**(406,898)**	(503,295)
Increase in deferred income	**226,266**	93,027
Cash generated from operations	**6,833,491**	4,411,996

	2010 RMB'000	2009 RMB'000
Cash generated from operations	**6,833,491**	4,411,996
Income tax paid	**(927,386)**	(491,876)
Interest received	**126,203**	289,770
Purchases of held-for-trading investments	**(54,945)**	(4,165)
Net cash generated from operating activities	**5,977,363**	4,205,725
Investing activities		
Purchase of property, plant and equipment	**(9,719,973)**	(5,892,457)
Purchase of investment properties	**—**	(820)
Purchase of intangible assets	**(327,278)**	(104,169)
Proceeds on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**83,559**	21,227
Acquisition of interests in associates	**(284,751)**	(211,374)
Dividend received from associates	**18,275**	17,129
Proceeds from disposal of subsidiaries	**6,190**	(16,249)
Dividend received from available-for-sale financial assets	**5,081**	261
Deposits paid	**(2,794,729)**	(3,075,778)
Deposits refund	**3,075,778**	969,668
Payments for prepaid lease payments	**(873,247)**	(630,883)
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	**(1,279,820)**	(1,118,390)
Advances to related parties	**(365,321)**	(12,852)
Decrease in other payment for investing activities	**(4,781,004)**	(5,558,042)
Proceeds from repayment of loans receivable	**420,310**	809,913
Proceeds on disposal of available-for-sale financial assets	**121**	103,252
New loans receivable raised	**(42,611)**	(420,310)
(Increase)/decrease in pledged bank deposits	**(288,494)**	1,312,459
Net cash used in investing activities	**(17,147,914)**	(13,807,415)

	2010	2009
	RMB'000	*RMB'000*
Financing activities		
Interest paid	**(2,934,586)**	(2,070,382)
Issuance of shares	**2,993,627**	1,837,418
Issuance of share expenses	**(68,378)**	(13,592)
Dividend paid to shareholders	**(173,685)**	(111,655)
Dividend paid to non-controlling shareholders of subsidiaries	**(168,284)**	(118,124)
Payments for acquisition of additional interests in subsidiaries	**(270,939)**	(70,276)
Contributions from non-controlling shareholders	**2,567,512**	534,274
Repayment of borrowings	**(40,252,199)**	(33,817,587)
Decrease in other payment for financing activities	**(1,042,964)**	(2,974,869)
New borrowings raised	**54,659,799**	47,056,776
Repayment of advances from immediate holding company	**(480,000)**	(1,070,000)
Repayments to related parties	**(645,213)**	(601,691)
New obligations under finance leases	**1,115,420**	1,138,927
Net cash generated from financing activities	**15,300,110**	9,719,219
Net increase in cash and cash equivalents	**4,129,559**	117,529
Exchange loss on cash and cash equivalents	**(1,455)**	(149)
Cash and cash equivalents at beginning of the year	**3,843,633**	3,726,253
Cash and cash equivalents at end of the year	**7,971,737**	3,843,633

The accompanying notes are an integral part of 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 registered office of the Company is located at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC.

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. Particulars of the Company's principal subsidiaries are set out in Note 19. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of China National Building Material Company Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except for certain held-for-trading investment and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by International Accounting Standards Board (the "IASB").

IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC — Int 17	Distributions of Non-cash Assets to Owners
IFRIC — Int 18	Transfer of Assets from Customers

Except as described below, the adoption of the new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Application of new and revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 3 (as revised in 2008) Business Combinations

IFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

IFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of subsidiaries as disclosed in Note 37(a), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Accordingly, no additional goodwill has been recognised and no effect on profit or loss has been resulted as a result of the application of IFRS 3 (as revised in 2008).

IFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Application of new and revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 3 (as revised in 2008) Business Combinations *(Continued)*

IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, in accounting for the acquisition of subsidiaries as disclosed in Note 37(a), total acquisition-related costs of approximately RMB8.08 million are recognised as an expense in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in profit for the year of approximately RMB8.08 million being included in administrative expenses.

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of IAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all asset, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair values at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Application of new and revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements *(Continued)*

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. In current year, the Group acquired additional interests of existing subsidiaries. The difference of approximately RMB35.39 million between the consideration paid and the non-controlling interests being recognised directly in equity, instead of profit or loss. The effect of contribution from non-controlling interests of existing subsidiaries of approximately RMB183.56 million is recognised directing in equity, instead of profit or loss.

In addition, under IAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

2.1.2 New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (as revised in 2008)), IFRS 7, IFRS 1 and IFRS 28[1]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters[3]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[7]
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendments)	Classification of Rights Issues[2]
IFRIC — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
IFRIC — Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 February 2010.
[3] Effective for annual periods beginning on or after 1 July 2010.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 July 2011.
[6] Effective for annual periods beginning on or after 1 January 2012.
[7] Effective for annual periods beginning on or after 1 January 2013.

The amendments to IFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that the application of these amendments to IFRS 7 will have a significant effect on the Group's disclosures.

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and it is impracticable to estimate the impact of the application of the new Standard that may have on amounts reported in respect of the Groups' financial assets and financial liabilities.

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) provide relief from disclosure of information by the Group in report of transactions with the government to which the Group is related, or transactions with other entities related to the same government. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because the Group and its parent need to disclose any transactions between its subsidiaries and its associates.

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

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective *(Continued)*

The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC - Int 14 (Amendments) clarifies the accounting treatment for prepayments under a minimum funding requirement. Such a prepayment would be recognised as an asset, on the basis that the entity has a future economic benefit from the prepayment in the form of reduced future minimum funding requirement contributions relating to future service.

IFRIC - Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC - Int 19 will affect the required accounting. In particular, under IFRIC - Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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 statement of comprehensive income 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.

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

2.2 Basis of consolidation *(Continued)*

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and loss of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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

2.2 Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

2.3 Business combinations

Business combinations that took place on or after 1 January 2010

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

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

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

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

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

2.3 Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

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

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

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

2.3 Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

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

2.3 Business combinations *(Continued)*

Business combinations that took place prior to 1 January 2010 *(Continued)*

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

2.4 Interests 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 control or joint 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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2.4 Interests in associates *(Continued)*

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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

2.5 Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2.6 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 steering committee that makes strategic decisions.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sales of 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 Note 2.12).

Other service income is recognised when the services are provided.

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

2.7 Revenue recognition *(Continued)*

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 on initial recognition.

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

2.8 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.

2.9 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 released to the consolidated income statement on a straight line basis over the periods of the respective leases.

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

2.10 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.

2.11 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 initially 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 expenses are recoginsed immediately to the consolidated income statement.

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

2.11 Leasing *(Continued)*

The Group as lessee *(Continued)*

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

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

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight line basis.

2.12 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be reliably measured and 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.

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

2.12 Construction contracts *(Continued)*

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 the 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.

2.13 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 group entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

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

2.13 Foreign currency translation *(Continued)*

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 at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests are appropriate).

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

2.15 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.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

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

2.16 Retirement benefits costs

Payments to defined contribution retirement benefit schemes are recognised 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.

2.17 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.

2.18 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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting dates.

Deferred income tax is recognised on temporary 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. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred income tax 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.

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

2.18 Taxation *(Continued)*

Deferred income tax liabilities are recognised for taxable temporary differences associated with 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. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 relevant amounts of deferred income tax is also dealt with in equity.

2.19 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, mining rights 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, 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 of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with 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 immediately in profit or loss.

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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

2.22 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

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 or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

2.24 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than though continuing use and a sale is considered highly probably.

2.25 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

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

2.25 Financial assets *(Continued)*

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 to the net carrying amount on initial recognitions.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which 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 a FVTPL are measured at fair value, with changes in value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

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

2.25 Financial assets *(Continued)*

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period 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 measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale 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 affected.

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.

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

2.25 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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.

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

2.25 Financial assets *(Continued)*

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 and the cumulative gain or loss that had been recognised in other comprehensive income and in equity is recognised in the consolidated income statement.

2.26 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 recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

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

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

2.26 Financial liabilities and equity instruments *(Continued)*

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 recognised 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.

2.27 Derivative financial instrument

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 30.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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

2.28 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.

2.29 Dividend distribution

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

2.30 Comparatives

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and capital risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group seeks to minimise the effects of some of these risks by using derivative financial instruments.

(a) Market risk

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

(i) Foreign currency risk

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

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

	Liabilities		**Assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**692,498**	98,232	**584,761**	787,889
European Dollar ("EUR")	**90,831**	83,911	**99,739**	58,655
Hong Kong Dollar ("HKD")	**—**	—	**9,712**	294
Papua New Guinea Kina ("PGK")	**49,393**	—	**60,075**	97,896
Saudi Arabian Riyal ("SAR")	**1,447**	—	**16,736**	121,850
Vietnamese Dong ("VND")	**—**	—	**191,222**	6,951
Kazakhstan Tenge ("KZT")	**39,004**	—	**15,402**	—
Australian Dollar ("AUD")	**25,139**	—	**30,506**	—
Others	**—**	—	**370**	844

The Group currently enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

Sensitivity analysis

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

Effect on profit after tax

	2010	2009
	RMB'000	*RMB'000*
USD	**5,391**	(36,532)
EUR	**(446)**	1,338
HKD	**(486)**	(16)
PGK	**(535)**	(5,186)
SAR	**(765)**	(6,455)
VND	**(9,569)**	(368)
KZT	**1,181**	—
AUD	**(269)**	—
	(5,498)	(47,219)

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

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

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

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

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB39,350.78 million (2009: RMB26,553.76 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2010 would decrease by RMB385.27 million (2009: decrease by RMB275.20 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments in Note 21 as at 31 December 2010. The Group's listed investments are listed on the Shenzhen and Shanghai Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period date, and its respective highest and lowest point during the year was as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Shenzhen Stock Exchange				
— A Share index	**12,459**	**13,937/8,945**	13,700	14,097/6,514
Shanghai Stock Exchange				
— Composite Index	**2,808**	**3,282/2,364**	3,277	3,471/1,863

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk *(Continued)*

Sensitivity analysis

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

	2010		2009	
	Carrying amount of equity investments	**Increase in profit after tax**	Carrying amount of equity investments	Increase in profit after tax
	RMB'000	***RMB'000***	*RMB'000*	RMB'000
Investments listed in:				
Shenzhen and Shanghai Stock Exchange — Held-for-trading	**446,626**	**34,704**	313,968	25,825

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

(b) Credit risk

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

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 38.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

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

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

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

(c) Liquidity risk

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

As at 31 December 2010, the Group has net current liabilities and capital commitments of approximately RMB13,533.52 million (2009: approximately RMB17,466.29 million) and approximately RMB3,027.23 million (2009: approximately RMB2,275.19 million) (Note 39), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2010, the Group had unused banking facilities of approximately RMB22,704.97 million (2009 : approximately RMB25,057.07 million).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010									
Trade and other payables	—	18,703,860	2,736	296	215	—	—	18,707,107	18,707,107
Amounts due to related parties									
— interest-free	—	350,850	—	—	—	—	—	350,850	350,850
— variable rate	5.35%	6,319	—	—	—	—	—	6,319	6,000
— fixed rate	5.31%	106,444	—	—	—	—	—	106,444	106,444
Advances from immediate holding company	—	100,000	—	—	—	—	—	100,000	100,000
Borrowings									
— fixed rate bank loans	5.36%	13,736,781	2,551,207	862,481	512,374	763,063	1,325,124	19,751,030	18,738,567
— variable rate bank loans	5.41%	15,969,454	11,556,411	7,229,923	1,570,402	3,798,988	1,366,073	41,491,251	39,350,780
— other borrowings from non-financial institutions	—	10,000	19,118	—	—	—	—	29,118	29,118
— bonds	4.32%	43,200	43,200	43,200	43,200	43,200	1,098,196	1,314,196	1,000,000
Obligations under finance leases	5.18%	602,100	619,677	652,273	541,879	83,381	—	2,499,310	2,376,131
Dividend payable to non-controlling shareholders	—	185,416	—	—	—	—	—	185,416	185,416
Financial guarantee contracts	5.35%	3,774	—	—	—	—	10,213	13,987	13,298
		49,818,198	14,792,349	8,788,173	2,668,070	4,688,632	3,799,606	84,555,028	80,963,711

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The contractual expiry periods of financial guarantees are as follows:

	2010		2009	
		Expiry		Expiry
	RMB'000	**periods**	*RMB'000*	periods
Guarantee given to banks in respect of banking facilities utilised by:				
— former related parties	**—**	**—**	63,000	(2010)
— independent third parties	**139,000**	**(2011–2016)**	166,000	(2010-2016)
	139,000		229,000	

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is RMB139 million (2009: RMB229 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3.2 Capital risk

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 31, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

(a) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Held-for-trading investments	446,626	—	—	446,626
Total assets	446,626	—	—	446,626
Liabilities				
Derivative financial instruments	—	1,111	—	1,111
Total liabilities	—	1,111	—	1,111

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

(a) Financial instruments carried at fair value *(Continued)*

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	313,968	—	—	313,968
Total assets	313,968	—	—	313,968

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

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

There is no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

(b) Financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2010, the carrying value of property, plant and equipment is approximately RMB51,721.65 million (2009: approximately RMB36,589.61 million).

Allowance for inventories

During the year, the Group provided allowance of inventory of approximately RMB2.91 million (2009: reversed allowance of inventories of approximately RMB0.57 million). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2010, the carrying amount of goodwill is approximately RMB9,034.43 million (2009: approximately RMB7,044.30 million). Details of the recoverable amount calculation are disclosed in Note 17.

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

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB149.08 million (2009: reversed allowance for bad and doubtful debts of approximately RMB32.94 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumption that are mainly based on market conditions existing at the end of each reporting period.

5. REVENUE

	2010 ***RMB'000***	2009 *RMB'000*
Sale of goods	**48,517,762**	29,938,616
Provision of engineering services	**3,462,868**	3,340,969
Rendering of other services	**7,133**	17,778
	51,987,763	33,297,363

6. SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

Year ended 31 December 2010

	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	4,353,898	37,953,075	3,821,382	2,984,152	2,875,256	—	51,987,763
Inter-segment sales *(Note)*	—	—	1,275,098	—	80,258	(1,355,356)	—
	4,353,898	37,953,075	5,096,480	2,984,152	2,955,514	(1,355,356)	51,987,763
Adjusted EBITDA	921,182	8,266,739	517,572	607,337	360,320	—	10,673,150
Depreciation and amortisation	(179,650)	(1,863,107)	(21,210)	(65,275)	(9,819)	575	(2,138,486)
Unallocated other income							49,160
Unallocated other expenses							(775)
Unallocated administrative expenses							(98,255)
Share of profit/(loss) of associates	(3,779)	111,362	4	130,215	(39,619)	—	198,183
Financial costs-net							(2,578,960)
Profit before income tax							6,104,017
Income tax expense							(1,360,977)
Profit for the year							4,743,040

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to sales activities of each segment with the exception of corporate expense payables.

Year ended 31 December 2010 *(Continued)*

	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	1,160,859	8,945,772	143,875	353,122	174,544	—	10,778,172
— Prepaid lease payments	225,534	478,056	148,419	5,963	15,275	—	873,247
— Intangible assets	1,676	319,268	5,047	1,287	—	—	327,278
— Unallocated							100
	1,388,069	9,743,096	297,341	360,372	189,819		11,978,797
— Acquisition of subsidiaries	—	7,349,713	18,943	428,811	1,110	—	7,798,577

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2010 *(Continued)*

	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	165,121	1,681,983	19,176	62,103	4,976	(575)	1,932,784
— Intangible assets	1,797	81,622	962	1,133	290	—	85,804
— Unallocated							7,506
	166,918	1,763,605	20,138	63,236	5,266		2,026,094
Prepaid lease payments released to the consolidated income statement	12,732	99,502	1,072	2,039	4,553	—	119,898
Allowance/(reversal of provision) for bad and doubtful debts	3,807	120,028	24,311	6,967	(6,034)	—	149,079
Write-down of inventories	299	2,611	—	—	—	—	2,910
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	6,361,135	78,480,041	4,091,882	4,920,002	1,880,886	—	95,733,946
Investments in associates	189,053	1,491,011	2,192	1,396,292	73,495	—	3,152,043
Unallocated assets							12,630,361
Total consolidated assets							111,516,350
LIABILITIES							
Segment liabilities	1,413,015	12,598,442	2,310,597	1,555,277	432,428	—	18,309,759
Unallocated liabilities							65,308,205
Total consolidated liabilities							83,617,964

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2009 *(Continued)*

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2009 *(Continued)*

	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*
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

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Adjusted EBITDA for reportable segments	**10,312,830**	6,712,128
Adjusted EBITDA for other segment	**360,320**	154,347
Eliminations	**—**	—
Total segments	**10,673,150**	6,866,475
Depreciation of property, plant and equipment	**(1,932,784)**	(1,386,448)
Amortisation of intangible assets	**(85,804)**	(60,133)
Prepaid lease payments released to the consolidated income statement	**(119,898)**	(95,152)
Corporate items	**(49,870)**	(75,741)
Operating profit	**8,484,794**	5,249,001
Finance costs — net	**(2,578,960)**	(1,516,443)
Share of profit of associates	**198,183**	9,394
Profit before income tax	**6,104,017**	3,741,952

6. SEGMENTS INFORMATION *(CONTINUED)*

(b) Geographical segments

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

	Revenue from external customers	
	2010	2009
	RMB'000	*RMB'000*
PRC	**50,838,676**	31,889,757
European countries	**128,298**	132,019
Middle East	**152,843**	266,266
Southeast Asia	**727,120**	655,612
Oceania	**—**	228,468
Others	**140,826**	125,241
	51,987,763	33,297,363

More than 90% of the Group's operations and assets are located in the PRC for the year ended 31 December 2010 and 2009.

(c) Information of major customers

No single customer amounted for 10% or more of the total revenue for the year ended 31 December 2010 and 2009.

7. INVESTMENT AND OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Dividend from available-for-sale financial assets	**5,081**	—
Discount on acquisition of interests in subsidiaries/ additional interests in subsidiaries	**52,032**	188,264
Financial guarantee income *(Note 34)*	**1,482**	6,940
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**35,951**	4,807
Government subsidies:		
— VAT refunds *(Note (a))*	**756,503**	632,115
— Government grants *(Note (b))*	**933,638**	539,496
— Interest subsidy	**24,440**	12,932
Increase in fair value of held-for-trading investments	**77,984**	154,400
Net rental income from:		
— investment properties *(Note 16)*	**48,123**	43,266
— equipment	**7,835**	8,067
Recovery of bad debts previously written off	**—**	80,054
Technical and other service income	**15,391**	14,738
Waiver of payables	**80,755**	258,285
Gain on disposal of subsidiaries *(Note 37(b))*	**10,740**	28,105
Others	**108,329**	65,364
	2,158,284	2,036,833

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 natural resources. Pursuant to the Notice, the Ministry of Finance and the State Administration of Taxation of the PRC enacted several regulations providing incentives in form of VAT refund for certain environmentally friendly products, including products that recognised industrial waste as part of their raw materials. Under the Notice and such regulations, the Group is entitled to receive immediate or future refund on any paid VAT with respect to any eligible products as income after it receives approvals from the relevant government authorities.

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

8. FINANCE COSTS — NET

	2010	2009
	RMB'000	*RMB'000*
Interest expenses on bank borrowings:		
— wholly repayable within five years	**2,948,272**	1,924,865
— not wholly repayable within five years	**—**	44,036
	2,948,272	1,968,901
Less : interest capitalised to construction in progress	**(254,309)**	(162,688)
	2,693,963	1,806,213
Interest income:		
— interest on bank deposits	**(101,687)**	(135,195)
— interest on loans receivable	**(13,316)**	(154,575)
Finance costs — net	**2,578,960**	1,516,443

Borrowing costs capitalised for the year ended 31 December 2010 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.31% (2009: 5.9%) per annum to expenditure on the qualifying assets.

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2010

	Fees *RMB'000*	Salaries, allowance and benefits-in-kinds *RMB'000*	Discretionary bonuses *RMB'000*	Retirement plan contributions *RMB'000*	Share appreciation rights *RMB'000*	Total *RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	790	2,180	29	391	3,390
Mr. Li Yimin	—	416	660	29	201	1,306
Mr. Peng Shou	—	420	1,640	15	201	2,276
Mr. Cui Xingtai	—	416	1,440	29	201	2,086
Non-executive directors						
Ms. Cui Lijun	—	156	—	—	—	156
Mr. Huang Anzhong	—	120	—	—	—	120
Mr. Zuo Fenggao	—	—	—	—	—	—
Independent non-executive directors						
Mr. Zhang Renwei	—	240	—	—	—	240
Mr. Zhou Daojiong	—	240	—	—	—	240
Mr. Chi Haibin	—	—	—	—	—	—
Mr. Lau Ko Yuen, Tom	—	240	—	—	—	240
Mr. Li Decheng	—	240	—	—	—	240
Supervisors						
Mr. Shen Anqin	—	60	—	—	—	60
Ms. Zhou Guoping	—	60	—	—	—	60
Ms. Cui Shuhong	—	152	171	29	78	430
Mr. Liu Chijin	—	120	—	—	—	120
Mr. Liu Zhiping	—	152	171	29	78	430
Mr. Ma Zhongzhi	—	120	—	—	—	120
	—	3,942	6,262	160	1,150	11,514

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

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

Year ended 31 December 2009

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2009: one) individuals were as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**832**	391
Share appreciation rights	**201**	201
Discretionary bonuses	**2,110**	790
Retirement plan contributions	**57**	26
	3,200	1,408

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

	Number of the five highest paid individuals	
	2010	*2009*
Nil–HKD1,000,000 (equivalent to RMB850,900)	**—**	—
HKD1,000,001–HKD1,500,000 (equivalent to RMB1,276,350)	**1**	—
HKD1,500,001–HKD2,000,000 (equivalent to RMB1,701,800)	**1**	1

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

10. PROFIT BEFORE INCOME TAX

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

	2010	2009
	RMB'000	*RMB'000*
Depreciation of:		
— property, plant and equipment	**1,932,910**	1,387,301
— investment properties	**7,380**	10,651
	1,940,290	1,397,952
Amortisation of intangible assets (included in cost of sales)	**85,804**	60,133
Total depreciation and amortisation	**2,026,094**	1,458,085
Impairment loss on available-for-sale financial assets	**600**	—
Impairment loss on property, plant and equipment	**154,637**	6,087
Impairment loss on prepaid lease payments	**—**	9,210
Cost of inventories recognised as expenses	**35,726,907**	22,709,056
Prepaid lease payments released to the consolidated income statement	**119,898**	95,152
Auditor's remuneration	**8,196**	7,472
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**2,602,589**	1,719,454
— Share appreciation rights	**2,877**	2,877
— Retirement plan contributions	**232,955**	189,309
Total staff costs	**2,838,421**	1,911,640
Allowance/(reversal of provision) for bad and doubtful debts	**149,079**	(32,941)
Write-down/(reversal of provision) of inventories	**2,910**	(569)
Operating lease rentals	**32,319**	25,799
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**(35,951)**	(4,807)
Net foreign exchange losses	**101,869**	87,586

11. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current income tax	**1,520,891**	772,407
Deferred income tax *(Note 32)*	**(159,914)**	(108,348)
	1,360,977	664,059

PRC income tax is calculated at 25% (2009: 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:

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**6,104,017**	3,741,952
Tax at domestic income tax rate of 25% (2009: 25%)	**1,526,004**	935,488
Tax effect of:		
Share of profit of associates	**(49,546)**	(2,349)
Expenses not deductible for tax purposes	**76,643**	29,299
Income not taxable for tax purposes	**(138,654)**	(73,158)
Tax effect of tax losses not recognised	**313,530**	20,735
Utilisation of previously unrecognised tax losses	**(107,595)**	(77,121)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note (a))*	**(37,461)**	(63,785)
Effect of different tax rates of subsidiaries	**(221,944)**	(105,050)
Income tax expense	**1,360,977**	664,059

Note:

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

12. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Dividends paid	**173,685**	111,655
Proposed final dividend — RMB0.186 (2009 : RMB0.07) per share	**502,109**	173,685

The final dividend of RMB0.186 per share has been proposed by the board of directors.

In addition, the directors proposed a bonus issue of 10 shares for every 10 shares held by the shareholders. As a result, the issued capital of the Company will increase from RMB2,699,513,131 to RMB5,399,026,262 by capitalising share premium of RMB2,699,513,131.

The above proposed 2010 dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE — BASIC AND DILUTED

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**3,369,433**	2,352,396

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,541,621**	2,449,086

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

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
As at 1 January 2009	3,402,618	10,624,905	15,122,209	380,877	29,530,609
Additions	5,363,153	357,084	400,549	81,190	6,201,976
Acquisition of subsidiaries *(Note 37(a))*	175,397	2,222,460	2,500,297	50,007	4,948,161
Transfer from construction in progress	(4,288,948)	1,449,103	2,834,087	5,758	—
Transfer to construction in progress for reconstruction	853,530	(264,813)	(811,706)	(579)	(223,568)
Disposals	(42,280)	(81,426)	(200,862)	(29,422)	(353,990)
Disposal of the subsidiaries *(Note 37(b))*	—	—	(341)	—	(341)
Transfer from investment properties *(Note 16)*	—	8,222	—	—	8,222
As at 31 December 2009 and 1 January 2010	5,463,470	14,315,535	19,844,233	487,831	40,111,069
Additions	6,904,523	2,129,926	1,349,105	394,718	10,778,272
Acquisition of subsidiaries *(Note 37(a))*	1,688,998	2,396,746	2,542,350	49,570	6,677,664
Transfer from construction in progress	(8,720,927)	3,388,810	5,321,726	10,391	—
Transfer to construction in progress for reconstruction	154,032	(1,476)	(313,926)	—	(161,370)
Transfer to assets classified as held for sales *(Note 28)*	—	(106,098)	(128,015)	—	(234,113)
Disposals	(100,293)	(193,853)	(108,818)	(26,734)	(429,698)
Disposal of the subsidiaries *(Note 37(b))*	—	(661)	(377)	(36)	(1,074)
Transfer from investment properties *(Note 16)*	—	8,197	—	—	8,197
Transfer to investment properties *(Note 16)*	—	(15,036)	—	—	(15,036)
As at 31 December 2010	5,389,803	21,922,090	28,506,278	915,740	56,733,911

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

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
DEPRECIATION AND IMPAIRMENT					
As at 1 January 2009	—	642,910	1,891,151	95,708	2,629,769
Charge for the year	—	380,824	956,495	49,982	1,387,301
Transfer to construction in progress for reconstruction	—	(24,069)	(198,920)	(579)	(223,568)
Disposals	—	(68,399)	(194,199)	(16,249)	(278,847)
Transfer from investment properties *(Note 16)*	—	715	—	—	715
Impairment loss recognised/(reversed)	(110,137)	62,974	53,218	32	6,087
As at 31 December 2009 and 1 January 2010	(110,137)	994,955	2,507,745	128,894	3,521,457
Charge for the year	—	453,373	1,416,854	62,683	1,932,910
Transfer to construction in progress for reconstruction	—	(89)	(161,281)	—	(161,370)
Transfer to assets classified as held for sales *(Note 28)*	—	(57,209)	(89,222)	—	(146,431)
Disposals	—	(4,410)	(268,410)	(16,399)	(289,219)
Disposal of the subsidiaries *(Note 37(b))*	—	(6)	(182)	(2)	(190)
Transfer from investment properties *(Note 16)*	—	2,409	—	—	2,409
Transfer to investment properties *(Note 16)*	—	(1,943)	—	—	(1,943)
Impairment loss recognised	135,814	10,861	7,265	697	154,637
As at 31 December 2010	25,677	1,397,941	3,412,769	175,873	5,012,260
CARRYING VALUES					
As at 31 December 2010	5,364,126	20,524,149	25,093,509	739,867	51,721,651
As at 31 December 2009	5,573,607	13,320,580	17,336,488	358,937	36,589,612

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

As at 31 December 2010, the carrying value of plant and machinery includes an amount of approximately RMB2,794.53 million (2009: approximately RMB1,348.20 million) in respect of assets held under finance leases.

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

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

	2010	2009
	RMB'000	*RMB'000*
Land and buildings	**929,853**	1,308,141
Plant and machinery	**2,070,734**	2,036,206
Motor vehicles	**77,063**	18,094
Total	**3,077,650**	3,362,441

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

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

At 31 December 2010, land and buildings with carrying value of approximately RMB1,681.10 million (2009: approximately RMB534.95 million) are still in the process of applying the title certificates.

15. PREPAID LEASE PAYMENTS

	2010	2009
	RMB'000	*RMB'000*
CARRYING AMOUNT		
As at 1 January	**4,799,492**	3,487,838
Additions	**873,247**	630,883
Acquisition of subsidiaries *(Note 37(a))*	**853,821**	814,462
Released to the consolidated income statement	**(119,898)**	(95,152)
Disposals	**(34,518)**	(29,329)
Impairment loss recognised	**—**	(9,210)
Transfer to assets classified as held for sales *(Note 28)*	**(30,005)**	—
As at 31 December	**6,342,139**	4,799,492

15. PREPAID LEASE PAYMENTS *(CONTINUED)*

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

	2010	2009
	RMB'000	*RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**6,208,991**	4,706,127
Current portion included in trade and other receivables *(Note 24)*	**133,148**	93,365
	6,342,139	4,799,492

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

As at 31 December 2010, prepaid lease payments with carrying value of approximately RMB130.52 million (2009: approximately RMB445.14 million) are still in the process of applying the title certificates.

As at 31 December 2010, the Group has pledged prepaid lease payments with a carrying value of approximately RMB407.70 million (2009: approximately RMB637.88 million) to secure bank borrowings granted to the Group.

16. INVESTMENT PROPERTIES

	2010 *RMB'000*	2009 *RMB'000*
COST		
As at 1 January	**331,390**	374,088
Additions	**—**	820
Acquisition of subsidiaries *(Note 37(a))*	**2,929**	—
Disposals	**(94)**	(35,296)
Transfer from property, plant and equipment *(Note 14)*	**15,036**	—
Transfer to property, plant and equipment *(Note 14)*	**(8,197)**	(8,222)
As at 31 December	**341,064**	331,390
DEPRECIATION		
As at 1 January	**48,575**	42,196
Charge for the year	**7,380**	10,651
Disposals	**—**	(3,557)
Transfer from property, plant and equipment *(Note 14)*	**1,943**	—
Transfer to property, plant and equipment *(Note 14)*	**(2,409)**	(715)
As at 31 December	**55,489**	48,575
CARRYING VALUES		
As at 31 December	**285,575**	282,815

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2009: 2.38%) per annum.

As at 31 December 2010, the Group has pledged investment properties with carrying value of approximately of RMB227.08 million (2009: approximately RMB30 million) to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2010 was approximately RMB580.67 million (2009: approximately RMB378.67 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

16. INVESTMENT PROPERTIES *(CONTINUED)*

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB50.01 million (2009: approximately RMB45.17 million). Direct operating expenses arising on the investment properties amounted to approximately RMB1.89 million (2009: approximately RMB1.90 million).

17. GOODWILL

	2010	2009
	RMB'000	*RMB'000*
As at 1 January	**7,044,298**	4,986,745
Arising from acquisition of:		
— subsidiaries *(Note 37(a))*	**1,990,133**	1,683,357
— additional interest in subsidiaries	**—**	374,196
As at 31 December	**9,034,431**	7,044,298

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

	2010	2009
	RMB'000	*RMB'000*
Lightweight building materials	**87,205**	87,205
Cement	**8,895,704**	6,922,270
Engineering services	**62**	62
Glass fiber and composite materials	**32,690**	15,991
Others	**18,770**	18,770
	9,034,431	7,044,298

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

17. GOODWILL *(CONTINUED)*

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumption for the value-in-use calculations of the above CGUs are those regarding the discount rate and growth rate. The Group prepares cash flow forecasts derived from the most recent financial budgets of 5 years and extrapolates cash flows for the following five years with growth rate of 5% assuming the existing level of sales and production remaining the same and a discount rate of 9% per annum. Cash flows beyond the five-year period are extrapolated using estimated growth rates which are consistent with prior year and the forecasts in same industry. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

18. INTANGIBLE ASSETS

	Mining rights *RMB'000*	**Patents and trademarks** *RMB'000*	**Total** *RMB'000*
COST			
As at 1 January 2009	743,307	51,621	794,928
Additions	95,956	8,213	104,169
Acquisition of subsidiaries *(Note 37(a))*	190,432	8,867	199,299
As at 31 December 2009 and 1 January 2010	1,029,695	68,701	1,098,396
Additions	304,060	23,218	327,278
Acquisition of subsidiaries *(Note 37(a))*	262,892	1,271	264,163
Disposals	(141)	(8,716)	(8,857)
As at 31 December 2010	1,596,506	84,474	1,680,980

18. INTANGIBLE ASSETS *(CONTINUED)*

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
AMORTISATION AND IMPAIRMENT			
As at 1 January 2009	43,137	11,719	54,856
Charge for the year	49,556	10,577	60,133
As at 31 December 2009 and 1 January 2010	92,693	22,296	114,989
Charge for the year	73,932	11,872	85,804
Disposals	—	(74)	(74)
As at 31 December 2010	166,625	34,094	200,719
CARRYING VALUES			
As at 31 December 2010	1,429,881	50,380	1,480,261
As at 31 December 2009	937,002	46,405	983,407

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

As at 31 December 2010, the Group has pledged mining rights with carrying value of approximately RMB14.99 million (2009: approximately RMB64.21 million) to secure bank borrowings granted to the Group.

The directors of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised as at 31 December 2010 and 31 December 2009 in the consolidated income statement.

19. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2010 and 31 December 2009, which are established and operated in the PRC, are as follows:

Name of subsidiary	Nominal value of paid-in capital *(Note i)*	Attributable equity interest to the Company Direct 2010 %	Direct 2009 %	Indirect 2010 %	Indirect 2009 %	Principal activities
BNBM *(Note i, ii)*	RMB575,150,000	**52.40**	52.40	**—**	—	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") *(Note iii)*	RMB155,625,000	**—**	—	**34.06**	34.06	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited	RMB80,000,000	**—**	—	**52.40**	52.40	Production and sale of lightweight building materials
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**—**	—	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**—**	—	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**—**	—	**80.88**	80.88	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Taishan China United Cement Company Limited ("Taishan China United") *(Note iv)*	RMB270,000,000	—	**—**	**95.68**	90.00	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**—**	—	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**—**	—	**90.00**	90.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Xuzhou China United Cement Company Limited	RMB346,940,000	**—**	—	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement") *(Note v)*	RMB10,000,000,000	**80.00**	82.87	**—**	—	Production and sale of cement
Hangzhou South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Jinhua South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Huzhou South Cement Company Limited	RMB390,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Jiaxing South Cement Company Limited	RMB200,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Jiangsu South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Hunan South Cement Company Limited	RMB2,000,000,000	**—**	—	**80.00**	82.87	Production and sale of cement
Jianqxi South Cement Company Limited	RMB1,000,000,000	**—**	—	**64.00**	66.30	Production and sale of cement
Guilin South Cement Company Limited	RMB120,000,000	**—**	—	**64.00**	66.30	Production and sale of cement

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital *(Note i)*	Attributable equity interest to the Company: Direct 2010 %	Direct 2009 %	Indirect 2010 %	Indirect 2009 %	Principal activities
North Cement Company Limited ("North Cement") *(Note vi)*	RMB1,000,000,000	**55.00**	50.00	**—**	—	Production and sale of cement
China Composites Group Corporation Limited ("China Composites")	RMB350,000,000	**100.00**	100.00	**—**	—	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited ("Zhongfu Lianzhong") *(Note vii)*	RMB261,307,535	**—**	—	**62.96**	96.92	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**—**	—	**75.00**	75.00	Production and sale of PVC tiles
China Triumph International Engineering Company Limited ("China Triumph")	RMB220,000,000	**91.00**	91.00	**—**	—	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited ("Shenzhen Triumph") *(Note viii)*	RMB5,000,000	**—**	—	**66.43**	50.05	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited	RMB100,000,000	**—**	—	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**—**	—	**91.00**	91.00	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,000	**100.00**	100.00	**—**	—	Sale of lightweight building materials

Notes:

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

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

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

(iv) On 14 January 2010, China United, subsidiary of the Company injected additional share capital of RMB153.32 million into Taishan China United as registered capital.

(v) During the year, the Company and non-controlling shareholders injected additional share capital of RMB5,200 million and RMB1,300 million into South Cement as registered capital respectively.

19. PARTICULARS OF SUBSIDIARIES *(CONTINUED)*

Notes: (Continued)

(vi) On 30 November 2010, the Company injected additional share capital of RMB100 million into North Cement as registered capital. Therefore, the Group effectively increased its equity interest in North Cement.

(vii) During the year, the non-controlling shareholders injected additional share capital of RMB91.55 million into Zhongfu Lianzhong as registered capital.

(viii) On 27 January 2010, China Triumph, subsidiary of the Company further acquired 18% equity interests in Shenzhen Triumph.

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

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

20. INVESTMENTS IN ASSOCIATES

	2010 ***RMB'000***	2009 *RMB'000*
Cost of investments in associates		
— listed in the PRC	**156,728**	156,728
— unlisted	**1,891,311**	1,720,215
Share of post-acquisition profit, net of dividend received	**1,104,004**	1,002,165
	3,152,043	2,879,108
Fair value of listed investments	**5,477,642**	3,901,802

As at 31 December 2010, the cost of investments in associates included goodwill of associates of approximately RMB177.14 million (2009: approximately RMB94.41 million).

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

As at 31 December 2010 and 31 December 2009, the Group had interests in the following principal incorporated associates established in the PRC:

Name of associate	Nominal value of registered capital	Attributable equity interest to the Group 2010 %	2009 %	Principal activities
China Fiberglass *(Note i)*	RMB427,392,000	**36.15**	36.15	Production of glass fiber
Shanghai Yaohua Pilkington Glass Company Limited ("Shanghai Yaopi") *(Note ii)*	RMB731,250,100	**16.26**	16.26	Production of float glass
Jushi Group Company Limited *(Note iii)*	USD256,200,000	**11.50**	11.50	Production of glass fiber
Nanfang Wannianqing Cement Company Limited	RMB1,000,000,000	**50.00**	50.00	Production of cement
Zhongfu Shenying Carbon Fiber Company Limited ("Zhongfu Shenying") *(Note iv)*	RMB136,360,000	**—**	45.00	Production of carbon fiber
Hubei Daye Jianfeng Cement Company Limited	RMB250,000,000	**24.00**	24.00	Production and sale of cement
Dengfeng China United Dengdian Cement Limited ("Dengfeng") *(Note v)*	RMB300,000,000	**—**	50.00	Production and sale of cement
Shangdong Donghua Cement Company Limited	RMB350,000,000	**50.00**	50.00	Production and sale of cement

Notes:

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

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

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

(iv) On 16 December 2010, China Composites, subsidiaries of the Company further acquired 6% equity interests in Zhongfu Shenying. Upon acquisition, Zhongfu Shenying becomes a subsidiary of the Group. Details of the acquisition were disclosed in Note 37(a)(iii).

(v) Dengfeng had become the subsidiary of the Company at 1 July 2010 through addition of board members such that the Group has exercised control to govern the financial and operating policies by virtue of having three directors out of the five-member board of Dengfeng. Details were disclosed in Note 37(a)(v).

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

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

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

	2010	2009
	RMB'000	*RMB'000*
Revenue	**16,977,877**	13,968,433
Profit/(loss) for the year	**954,872**	(243,296)
Group's share of associates' profit for the year	**198,183**	9,394
Total assets	**48,735,992**	40,377,332
Total liabilities	**(35,107,560)**	(28,771,549)
Net assets attributable to the owners of the associates	**11,477,259**	9,774,981
Group's share of associates' net assets	**2,886,555**	2,754,440

21. INVESTMENTS

	2010	2009
	RMB'000	*RMB'000*
Available-for-sale financial assets		
Unlisted equity shares, at cost *(Note)*	**148,911**	139,414
Held-for-trading investments at market value:		
Quoted investment funds	**51**	1,324
Quoted listed equity shares	**446,575**	312,644
	446,626	313,968

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

22. DEPOSITS

	2010	2009
	RMB'000	*RMB'000*
Investment deposits for acquisition of subsidiaries	**690,510**	664,215
Investment deposits for acquisition of associates	**—**	140,000
Investment deposits for acquisition of joint controlled entities	**—**	93,960
Deposits paid to acquire property, plant and equipment	**1,603,029**	2,085,737
Deposits paid to acquire intangible assets	**33,461**	9,952
Deposits paid in respect of prepaid lease payments	**467,729**	81,914
	2,794,729	3,075,778

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

23. INVENTORIES

	2010 *RMB'000*	2009 *RMB'000*
Raw materials	**4,184,950**	2,375,290
Work-in-progress	**998,731**	736,831
Finished goods	**1,950,441**	1,553,412
Consumables	**75,438**	76,033
	7,209,560	4,741,566

24. TRADE AND OTHER RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables, net of allowance for bad and doubtful debts *(Note (b))*	**5,313,426**	3,028,840
Bills receivable *(Note (c))*	**5,018,136**	1,154,653
Amounts due from customers for contract work *(Note 26)*	**849,813**	684,045
Loans receivable *(Note (g))*	**42,611**	420,310
Prepaid lease payments *(Note 15)*	**133,148**	93,365
Other receivables, deposits and prepayments	**5,754,125**	4,628,218
	17,111,259	10,009,431

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:

	2010 *RMB'000*	2009 *RMB'000*
Within two months	**2,809,890**	1,662,385
More than two months but within one year	**1,741,250**	1,055,455
Between one and two years	**547,875**	240,850
Between two and three years	**109,995**	39,730
Over three years	**104,416**	30,420
	5,313,426	3,028,840

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

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

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB2,503.54 million (2009: approximately RMB1,329.17 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 2010, the retention receivables of approximately RMB77.31 million (2009: approximately RMB30.69 million) and receivables within contractual payment term of approximately RMB37 million (2009: approximately RMB14.70 million) with ageing between one and two years are not past due.

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

	2010	2009
	RMB'000	*RMB'000*
More than two months but within one year	**1,741,250**	1,030,466
Between one and two years	**547,875**	228,554
Between two and three years	**109,995**	39,730
Over three years	**104,416**	30,420
	2,503,536	1,329,170

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

	2010	2009
	RMB'000	*RMB'000*
As at 1 January	**384,336**	224,574
Additions from acquisition of subsidiaries	**7,252**	192,703
Allowances/(reversal of provision) for bad and doubtful debts	**149,079**	(32,941)
As at 31 December	**540,667**	384,336

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

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

	2010	2009
	RMB'000	*RMB'000*
RMB	**16,262,598**	9,085,337
EUR	**73,871**	22,817
PGK	**13,908**	13,877
USD	**536,575**	760,789
SAR	**13,839**	119,243
VND	**189,739**	6,951
KZT	**3,842**	—
AUD	**16,607**	—
Others	**280**	417
	17,111,259	10,009,431

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 5.18 % (2009: ranged from 5.41%-10.36%) per annum and repayable within one year. The balance is due from independent parties and is unsecured.

(h) As at 31 December 2010, RMB20.65 million (2009: Nil) of the trade receivables and RMB1,794.88 million of the bills receivable (2009: Nil) of the Group has pledged to secure bank loans granted to the Group.

25. AMOUNTS DUE FROM /(TO) RELATED PARTIES

	2010 *RMB'000*	2009 *RMB'000*
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**710,278**	596,928
Associates	**13,566**	5,837
Non-controlling shareholders of subsidiaries	**210,244**	36,927
	934,088	639,692
Non-trading in nature:		
Fellow subsidiaries	**295,608**	106,466
Associates	**112,580**	107,269
Immediate holding company	**182,534**	—
Non-controlling shareholders of subsidiaries	**286,331**	119,963
	877,053	333,698
	1,811,141	973,390
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**118,936**	81,448
Associates	**1,250**	17,770
Non-controlling shareholders of subsidiaries	**10,544**	35,359
	130,730	134,577
Non-trading in nature:		
Fellow subsidiaries	**212,744**	290,435
Associate	**4,864**	—
Immediate holding company	**100,000**	580,000
Non-controlling shareholders of subsidiaries	**114,956**	107,342
	432,564	977,777
	563,294	1,112,354

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

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

As at 31 December 2010, amounts due from related parties of approximately RMB119.51 million (2009: approximately RMB92.12 million) carry the variable loan interest rate stipulated by the bank for the corresponding period at rate of 5.35% (2009: 5.31%) per annum and nil balance of amounts due from related parties carry fixed interest rate (2009: approximately RMB4.38 million at 10% per annum). The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2010, amounts due to related parties of approximately RMB6 million (2009: approximately RMB41.80 million) carry the variable interests stipulated by the bank for the corresponding period at rate of 5.35% (2009: 5.31%) per annum and approximately RMB106.44 million carry fixed interest rate of 5.31% per annum (2009: RMB Nil). The remaining balances of amounts due to related parties are interest-free.

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

	2010 ***RMB'000***	2009 *RMB'000*
Contracts in progress at reporting date		
Analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**6,788,509**	4,735,438
Less: progress billings	**(6,108,814)**	(4,137,816)
	679,695	597,622
Amounts due from contract customers included in trade and other receivables *(Note 24)*	**849,813**	684,045
Amounts due to contract customers included in trade and other payables *(Note 29)*	**(170,118)**	(86,423)
	679,695	597,622

As at 31 December 2010, advances received from customers for contract work amounted to approximately RMB170.12 million (2009: approximately RMB86.42 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 24, amounted to approximately RMB77.31 million (2009: approximately RMB30.69 million).

27. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

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

	2010	2009
	RMB'000	*RMB'000*
USD	**47,774**	27,100
EUR	**24,037**	35,838
PGK	**45,408**	84,019
SAR	**2,897**	2,606
HKD	**9,712**	294
KZT	**11,560**	—
AUD	**13,900**	—
Others	**1,573**	427
	156,861	150,284

As at 31 December 2010, the Group pledged approximately RMB1,267.80 million (2009: approximately RMB971.69 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.36% to 2.75% (2009: range from 0.36% to 2.25%) per annum.

28. ASSETS CLASSIFIED AS HELD FOR SALE

	2010	2009
	RMB'000	*RMB'000*
Assets held for sale		
— Prepaid lease payments *(Note 15)*	**30,005**	—
— Property, plant and equipment *(Note 14)*	**87,682**	—
	117,687	—

28. ASSETS CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

Notes:

(a) On 19 June 2009, Changzhou China Composites Liberty Company Limited ("China Composites Liberty"), the subsidiary and Changzhou City Land Purchase and Reserve Center entered into the Land Transfer Agreement in accordance with the overall urban development requirements as set out by the government. Pursuant to the Land Transfer Agreement, China Composites Liberty will procure the transfer of the governmental land use rights of the entire land parcel ("Target Land Parcel") - No.1 Chang Cheng Road, Changzhou City to the Residential Construction Service Centre of Central Government as part of government planning.

The target land parcel, which was once served as the subsidiary's office and stations for several production lines. Upon the signing of the Land Transfer Agreement in relation to the subject property, the subsidiary has already implemented plans to relocate. The relocation is still in progress.

The property and land use rights related have been accounted for as held for sale following shareholders' approval of the decision to reallocate this location's operation. The completion date for the transaction is expected to be within 1 year upon the shareholders' approval. As mentioned above, the relocation is still in progress, the completion date may extend to beyond one year. Because the Land Transfer Agreement is still committed such an extension on the completion date does not preclude these assets from being classified as assets held for sale in 2010. The subsidiary is not considered as a discontinued operation at 31 December 2010. The subsidiary will continue its operation once the relocation is completed.

(b) On 30 December 2009, China National Building Material Group Corporation (the "Parent") and Residential Construction Service Centre for Civil Servants of the Central Government Departments entered into the Land Transfer Agreement in Beijing in accordance with the overall urban development requirements as set out by the Beijing government. Pursuant to the Land Transfer Agreement, the Parent will procure the transfer of the governmental land use rights of the entire land parcel ("Target Land Parcel") - No.16, Jian Cai Cheung West Road, Xi San Qi, Haidian District, Beijing to the Residential Construction Service Centre of the Central Government as part of government planning. The target land parcel, which was once served as the office and stations for several production lines (also known as "Xi San Qi Beijing Operation Base"), will be constructed as services centres for staff of central government departments.

Upon the signing of the Land Transfer Agreement in relation to the subject property, the Parent has already implemented plans to relocate the facilities situated in Xi San Qi area in Beijing according to the Company's business development strategies and the National proposal in relation to the construction of gypsum manufacturing plaster. The relocation is still in progress.

The equipment and land use right related to Xi San Qi Beijing Operation Base have been accounted for as held for sale following shareholders' approval of the decision to reallocate this location's operation. The completion date for the transaction is expected to be within 1 year. However, Xi San Qi Beijing Operation Base is not considered as a discontinued operation at 31 December 2010, as it does not represent a major line of business.

29. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within two months	**5,729,456**	2,993,903
More than two months but within one year	**1,959,653**	2,074,818
Between one and two years	**486,494**	699,730
Between two and three years	**377,164**	82,174
Over three years	**95,898**	98,558
Trade payables	**8,648,665**	5,949,183
Bills payable	**2,294,982**	1,543,164
Provision for share appreciation rights *(Note 43)*	**12,665**	9,788
Amounts due to customers for contract work *(Note 26)*	**170,118**	86,423
Other payables	**7,580,677**	6,830,739
	18,707,107	14,419,297

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2010	2009
	RMB'000	*RMB'000*
Financial liabilities carried at fair value through profit or loss		
Held-for-trading derivative not designated in hedge accounting relationship *(Note)*	**1,111**	—
	1,111	—

Note: Financial liabilities carried at fair value through profit or loss included forward currency contract for which no hedge accounting is applied.

The notional principal amount of the outstanding forward currency contract as at 31 December 2010 was approximately RMB105.95 million (2009: Nil).

31. BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Bank borrowings		
— Secured	**4,661,910**	2,411,470
— Unsecured	**53,427,437**	36,979,821
	58,089,347	39,391,291
Bonds *(Note)*	**1,000,000**	1,600,000
Other borrowings from non-financial institutions	**29,118**	24,635
	59,118,465	41,015,926
Analysed for reporting purposes:		
— Non-current	**30,930,495**	19,073,005
— Current	**28,187,970**	21,942,921
	59,118,465	41,015,926

Note: On 9 April 2007, the company issued domestic corporate bonds with an aggregate principal amount of RMB1 billion with the maturity of 10 years and a coupon rate of 4.32% per annum.

31. BORROWINGS *(CONTINUED)*

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

	2010	2009
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**13,038,471**	9,261,621
Between one and two years	**2,418,568**	236,300
Between two and three years	**817,200**	1,640,000
Between three and four years	**485,370**	184,400
Between four and five years	**723,150**	351,210
More than five years	**1,255,808**	1,164,000
	18,738,567	12,837,531
Variable rate bank borrowings repayable:		
Within one year	**15,139,500**	12,081,300
Between one and two years	**10,974,480**	3,755,320
Between two and three years	**6,856,244**	7,114,500
Between three and four years	**1,487,460**	1,298,700
Between four and five years	**3,599,829**	792,590
More than five years	**1,293,267**	1,511,350
	39,350,780	26,553,760

	2010	2009
Effective interest rate per annum		
Fixed rate borrowings	**4.23% to 7.47%**	3.42% to 6.45%
Variable rate borrowings	**4.32% to 6.72%**	3.63% to 6.24%

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

As at 31 December 2010, bank borrowings of approximately RMB2,455 million (2009: approximately RMB566 million) were guaranteed by independent third parties.

The borrowings denominated in EUR and USD of approximately RMB10.57 million and RMB133.31 million respectively (2009: approximately RMB43.01 million and RMB12.66 million respectively), the remaining balance was denominated in RMB.

32. DEFERRED INCOME TAX

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

	Fair value adjustments on investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Loss on partial disposal of subsidiaries and associates *RMB'000*	Allowances on inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2009	(8,579)	(407,440)	(15,574)	(405,393)	20,909	55,852	187,111	112,950	5,430	3,958	(450,776)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(133,966)	(38,363)	(80,736)	—	7,660	94,456	4,873	—	4,999	(141,077)
Credit/(charge) to the consolidated income statement *(Note 11)*	2,272	(85,788)	(11,781)	250,016	(1,682)	(6,870)	(107,296)	48,136	(1,577)	22,918	108,348
As at 31 December 2009 and 1 January 2010	(6,307)	(627,194)	(65,718)	(236,113)	19,227	56,642	174,271	165,959	3,853	31,875	(483,505)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(142,433)	(29,976)	(47,523)	—	24,643	182,697	—	—	6,341	(6,251)
Arising from disposal of subsidiaries *(Note 37(b))*	—	—	—	—	—	—	—	—	—	(21)	(21)
Credit/(charge) to the consolidated income statement *(Note 11)*	(8,268)	382,652	(241,921)	(56,966)	—	47,975	(47,311)	(12,544)	—	96,297	159,914
As at 31 December 2010	(14,575)	(386,975)	(337,615)	(340,602)	19,227	129,260	309,657	153,415	3,853	134,492	(329,863)

32. DEFERRED INCOME TAX *(CONTINUED)*

	2010	2009
	RMB'000	*RMB'000*
For presentation purpose:		
Deferred income tax assets	**753,946**	454,802
Deferred income tax liabilities	**(1,083,809)**	(938,307)
	(329,863)	(483,505)

At 31 December 2010, the Group has unused tax losses of approximately RMB930.12 million (2009: approximately RMB1,284.56 million) available for offset against future profits, of which, approximately RMB816.57 million (2009: approximately RMB620.73 million) were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2010	2009
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2010	**—**	87,974
2011	**50,479**	69,945
2012	**53,950**	87,787
2013	**133,242**	144,089
2014	**102,782**	894,767
2015	**589,662**	—
	930,115	1,284,562

33. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2010, certain fixtures and equipment are under finance leases. The average lease term is 5 years (2009: 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5.18% (2009: 5.41%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**687,407**	318,648	**572,426**	257,055
In more than one year but not more than two years	**671,032**	313,192	**589,136**	263,516
In more than two years but not more than five years	**1,265,145**	791,230	**1,214,569**	740,140
	2,623,584	1,423,070	**2,376,131**	1,260,711
Less: future finance charge	**(247,453)**	(162,359)	**N/A**	N/A
Present value of lease obligations	**2,376,131**	1,260,711	**2,376,131**	1,260,711
Less: Amount due for settlement within 12 months			**(572,426)**	(257,055)
			1,803,705	1,003,656

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

34. FINANCIAL GUARANTEE CONTRACTS

	2010	2009
	RMB'000	*RMB'000*
As at 1 January	**14,780**	21,720
Less: Amount released to the consolidated income statement *(Note 7)*	**(1,482)**	(6,940)
As at 31 December	**13,298**	14,780
For presentation purpose:		
Non-current liabilities	**9,710**	13,140
Current liabilities	**3,588**	1,640
	13,298	14,780

Subsidiaries had guaranteed bank borrowings of approximately RMB139 million (2009: approximately RMB229 million) for former related parties and third parties. The fair value of the guarantees granted amounting to approximately RMB13.30 million (2009: RMB14.78 million) is recognised as a liability and amortised over the guarantee period of one to ten years as set out in financial guarantee contracts.

35. SHARE CAPITAL

	Domestic Shares *(Note (a))*		**H Shares** *(Note (b))*		
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Total capital**
		RMB'000		*RMB'000*	*RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2009	1,306,404,813	1,306,405	902,083,187	902,083	2,208,488
Issuance of new H shares	—	—	272,727,273	272,727	272,727
Conversion of Domestic shares into H shares	(25,827,759)	(25,828)	25,827,759	25,828	—
As at 31 December 2009 and 1 January 2010	1,280,577,054	1,280,577	1,200,638,219	1,200,638	2,481,215
Issuance of new H shares *(Note (c))*	—	—	218,297,858	218,298	218,298
Conversion of Domestic shares into H shares *(Note (c))*	(20,649,871)	(20,650)	20,649,871	20,650	—
As at 31 December 2010	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513

35. SHARE CAPITAL *(CONTINUED)*

Notes:

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

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

(c) On 14 September 2010, the Company issued and placed 218,297,858 H Shares of RMB1.00 each at HKD16 per share. The gross consideration received by the Company from the issue of these H Shares amounted to HKD3,492,766,000 (equivalent to approximately RMB2,993,627,000). The net proceeds were mainly used for the repayment of bank loans and general working capital of the Company. On the same date, 20,649,871 Domestic Shares were converted into same number of H Shares.

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

36. STATUTORY SURPLUS RESERVE FUND

According to relevant laws and regulations of the PRC, the Company and its subsidiaries established in the PRC are required to make an appropriation at the rate of 10 percent of the profit after income tax of the respective company, prepared in accordance with PRC accounting standards, to the statutory surplus reserve fund until the balance has reached 50 percent of the registered capital of the respective company. Upon approved from the authorities, the statutory surplus reserve fund can be used to offset accumulated losses or to increase share capital, when it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25 percent of the share capital.

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

In the year of 2010, the Group acquired 40 subsidiaries from independent third parties and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries groups are principally engaged in the production, storage and sale of carbon fiber and cement and providing engineering services.

These acquisitions have been accounted for using the purchase method.

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

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

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

	2010	2009
	Fair value	Fair value
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment *(Note 14)*	**6,677,664**	4,948,161
Investment properties *(Note 16)*	**2,929**	—
Intangible assets *(Note 18)*	**264,163**	199,299
Investments in associates	**470**	3,336
Prepaid lease payments *(Note 15)*	**853,821**	814,462
Available-for-sale financial assets	**523**	24,451
Deferred income tax assets *(Note 32)*	**213,681**	112,382
Inventories	**805,994**	670,559
Trade and other receivables	**1,848,640**	1,639,871
Amounts due from the related parties	**178,034**	991,900
Pledged bank deposits	**7,621**	527,484
Cash and cash equivalents	**1,111,863**	888,138
Trade and other payables	**(5,141,653)**	(4,756,500)
Current income tax liabilities	**(72,613)**	(3,186)
Dividend payable to non-controlling shareholders	**—**	(12,262)
Amounts due to the related parties	**(403,051)**	(910,900)
Borrowings	**(3,694,939)**	(2,528,934)
Obligations under finance leases	**—**	(43,875)
Deferred income tax liabilities *(Note 32)*	**(219,932)**	(253,459)
Net assets	**2,433,215**	2,310,927
Non-controlling interests	**(813,118)**	(71,883)
Interest transferred from associated companies	**(406,764)**	(177,722)
Indirect interest held by a subsidiary	**—**	(3,659)
Discount on acquisition of interest in subsidiaries	**(52,032)**	(144,655)
Goodwill *(Note 17)*	**1,990,133**	1,683,357
	3,151,434	3,596,365
Contributed by non-controlling shareholders	**—**	(454,788)
Total consideration	**3,151,434**	3,141,577

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

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

	2010	2009
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**2,391,683**	2,006,528
Other payables	**759,751**	1,135,049
	3,151,434	3,141,577
Net cash outflow arising on acquisition:		
Cash consideration paid	**(2,391,683)**	(2,006,528)
Less: Cash and cash equivalents acquired	**1,111,863**	888,138
	(1,279,820)	(1,118,390)

The goodwill mainly arising on the acquisition of these companies is attributable to the benefit of expected revenue growth and future market development in Jiang Xi province and North Region, the PRC and overseas and the synergies in consolidating the Group's cement operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Included in the revenue and profit for the year are approximately RMB4,686.98 million and RMB420.42 million respectively attributable to the additional business generated by these newly acquired cement companies.

Had these business combinations been effected at 1 January 2010, the revenue of the Group would be approximately RMB53,182.01 million, and profit for the year of the Group would be approximately RMB4,606.50 million. The directors of the Company consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

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

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

Details of the Group's significant acquisitions during the year are as follows:

(i) On 28 February 2010, the Group acquired 100% of the equity interests of 江西泰和南方水泥有限公司 ("Jiangxi Taihe South Cement") for the consideration of approximately RMB610.21 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	271,284
Intangible assets	15,742
Prepaid lease payments	38,615
Deferred income tax assets	3,530
Inventories	27,344
Trade and other receivables	94,972
Amounts due from related parties	90,000
Cash and cash equivalents	2,492
Trade and other payables	(86,720)
Current income tax liabilities	(1,834)
Borrowings	(131,200)
Deferred income tax liabilities	(40,885)
Net assets	283,340
Goodwill	326,868
Total consideration	610,208

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(i) On 28 February 2010, the Group acquired 100% of the equity interests of 江西泰和南方水泥有限公司 ("Jiangxi Taihe South Cement") for the consideration of approximately RMB610.21 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2010
	RMB'000
Total consideration satisfied by:	
Cash	470,874
Other payables	139,334
	610,208
Net cash outflow arising on acquisition:	
Cash consideration paid	(470,874)
Less: Cash and cash equivalents acquired	2,492
	(468,382)

Included in the revenue and profit for the year are approximately RMB291.33 million and RMB66.16 million respectively attributable to the additional business generated by acquired subsidiary.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(ii) On 8 June 2010, the Group acquired 52.38% of the equity interests of 湖南衡南南方水泥有限公司 ("Hunan Hengnan South Cement") for the consideration of RMB110 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	45,865
Trade and other receivables	218,674
Cash and cash equivalents	116,676
Trade and other payables	(171,215)
Net assets	210,000
Non-controlling interests	(100,000)
Total consideration	110,000

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(ii) On 8 June 2010, the Group acquired 52.38% of the equity interests of 湖南衡南南方水泥有限公司 ("Hunan Hengnan South Cement") for the consideration of RMB110 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	2010 *RMB'000*
Total consideration satisfied by:	
Cash	110,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(110,000)
Less: Cash and cash equivalents acquired	116,676
	6,676

No revenue and profit for the year are attributable to the addition and business generated by acquired subsidiary, as the subsidiary has not yet commenced the operation during the relevant period.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iii) On 16 December 2010, the Group further acquired 6% of the equity interests of 中複神鷹碳纖維有限責任公司 ("Zhongfu Shenying") for the consideration of RMB17.70 million from independent third party. The Group was originally held 45% interest of the acquired subsidiary as at 31 December 2009. The acquired subsidiary is principally engaged in the production and sale of carbon fiber.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	370,648
Prepaid lease payments	58,163
Inventories	9,250
Trade and other receivables	28,309
Cash and cash equivalents	56,062
Trade and other payables	(25,176)
Borrowings	(235,000)
Net assets	262,256
Non-controlling interests	(128,505)
Interest transferred from associated company	(132,750)
Goodwill	16,699
Total consideration	17,700

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iii) On 16 December 2010, the Group further acquired 6% of the equity interests of 中複神鷹碳纖維有限責任公司 ("Zhongfu Shenying") for the consideration of RMB17.70 million from independent third party. The Group was originally held 45% interest of the acquired subsidiary as at 31 December 2009. The acquired subsidiary is principally engaged in the production and sale of carbon fiber. *(Continued)*

	2010
	RMB'000
Total consideration satisfied by:	
Cash	17,700
Net cash inflow arising on acquisition:	
Cash consideration paid	(17,700)
Less: Cash and cash equivalents acquired	56,062
	38,362

No revenue and profit for the year are attributable to the addition and business generated by acquired subsidiary.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iv) On 1 July 2010, the Group acquired 90% of the equity interests of 安徽滁州中聯水泥有限公司 ("Anhui Chuzhou China United") for the consideration of approximately RMB304.75 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010
	Fair value
	RMB'000
Net assets acquired:	
Property, plant and equipment	299,846
Intangible assets	165
Prepaid lease payments	37,897
Inventories	62,679
Trade and other receivables	42,861
Cash and cash equivalents	28,238
Trade and other payables	(206,900)
Borrowings	(14,000)
Deferred income tax liabilities	(20,427)
Net assets	230,359
Non-controlling interests	(23,036)
Goodwill	97,425
Total consideration	304,748

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(iv) On 1 July 2010, the Group acquired 90% of the equity interests of 安徽滁州中聯水泥有限公司 ("Anhui Chuzhou China United") for the consideration of approximately RMB304.75 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2010 *RMB'000*
Total consideration satisfied by:	
Cash	304,748
Net cash outflow arising on acquisition:	
Cash consideration paid	(304,748)
Less: Cash and cash equivalents acquired	28,238
	(276,510)

Included in the revenue and profit for the year are approximately RMB209.32 million and RMB11.10 million respectively attributable to the additional business generated by the acquired subsidiary.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(v) On 1 July 2010, the Group acquired the control of 登封登電中聯水泥有限公司 ("Dengfeng Dengdian China United") by entering into an agreement from independent third party. The Group was originally held 50% interest of the acquired subsidiary as at 31 December 2009. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	608,760
Prepaid lease payments	75,796
Inventories	65,352
Trade and other receivables	52,990
Cash and cash equivalents	115,740
Trade and other payables	(158,638)
Borrowings	(460,000)
Net assets	300,000
Non-controlling interests	(150,000)
Interest transferred from associated company	(150,000)
Total consideration	—

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(v) On 1 July 2010, the Group acquired the control of 登封登電中聯水泥有限公司 ("Dengfeng Dengdian China United") by entering into an agreement from independent third party. The Group was originally held 50% interest of the acquired subsidiary as at 31 December 2009. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2010
	RMB'000
Total consideration satisfied by:	
Cash	—
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	115,740
	115,740

Included in the revenue and profit for the year are approximately RMB151.59 million and RMB23.87 million respectively attributable to the additional business generated by the acquired subsidiary.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(vi) On 1 January 2010, the Group acquired 51% of the equity interests of 莒縣中聯水泥有限公司 ("Juxian China United") for the consideration of approximately RMB154.84 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010
	Fair value
	RMB'000
Net assets acquired:	
Property, plant and equipment	480,459
Intangible assets	132,792
Prepaid lease payments	1,367
Deferred income tax assets	1,439
Inventories	4,280
Trade and other receivables	75,216
Cash and cash equivalents	12,373
Trade and other payables	(95,658)
Current income tax liabilities	(33,140)
Borrowings	(300,000)
Deferred income tax liabilities	(495)
Net assets	278,633
Non-controlling interests	(136,530)
Goodwill	12,733
Total consideration	154,836

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(vi) On 1 January 2010, the Group acquired 51% of the equity interests of 莒縣中聯水泥有限公司 ("Juxian China United") for the consideration of approximately RMB154.84 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2010 *RMB'000*
Total consideration satisfied by:	
Cash	105,189
Other payables	49,647
	154,836
Net cash outflow arising on acquisition:	
Cash consideration paid	(105,189)
Less: Cash and cash equivalents acquired	12,373
	(92,816)

Included in the revenue and profit for the year are approximately RMB113.85 million and RMB20.70 million respectively attributable to the additional business generated by the acquired subsidiary.

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(vii) On 1 October 2010, the Group acquired 60% of the equity interests of 巴彥淖爾中聯水泥有限公司 ("Bayan Nur China United") for the consideration of RMB162 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	2010 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	257,263
Intangible assets	8,036
Prepaid lease payments	51,249
Deferred income tax assets	60
Inventories	18,458
Trade and other receivables	69,523
Cash and cash equivalents	24,149
Trade and other payables	(144,596)
Current income tax liabilities	(27,025)
Deferred income tax liabilities	(5,261)
Net assets	251,856
Non-controlling interests	(146,386)
Goodwill	56,530
Total consideration	162,000

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

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

Details of the Group's significant acquisitions during the year are as follows: *(Continued)*

(vii) On 1 October 2010, the Group acquired 60% of the equity interests of 巴彥淖爾中聯水泥有限公司 ("Bayan Nur China United") for the consideration of RMB162 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2010
	RMB'000
Total consideration satisfied by:	
Cash	104,160
Other payables	57,840
	162,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(104,160)
Less: Cash and cash equivalents acquired	24,149
	(80,011)

Included in the revenue and profit for the year are approximately RMB50.18 million and RMB6.30 million respectively attributable to the additional business generated by the acquired subsidiary.

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

(b) Disposal of subsidiaries

During the year, the Group disposed of the entire equity interest in 3 subsidiaries of the Group, for the consideration of approximately RMB6.40 million.

(i) Profit for the year generated from the disposal of the subsidiaries comprised:

	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of subsidiaries	**10,740**	28,105

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows:

	2010	2009
	RMB'000	*RMB'000*
Assets and liabilities disposed of:		
Property, plant and equipment *(Note 14)*	**884**	341
Available-for-sale investments	**—**	4,840
Deferred income tax assets *(Note 32)*	**21**	—
Inventories	**—**	8,052
Trade and other receivables	**12,664**	310,903
Cash and cash equivalents	**210**	16,249
Trade and other payables	**(18,119)**	(270,018)
Borrowings	**—**	(50,000)
Net (liabilities)/assets disposal of	**(4,340)**	20,367

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

(b) Disposal of subsidiaries *(Continued)*

During the year, the Group disposed of the entire equity interest in 3 subsidiaries of the Group, for the consideration of approximately RMB6.40 million. *(Continued)*

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows: *(Continued)*

	2010 *RMB'000*	2009 *RMB'000*
Purchase consideration:		
Cash received	**6,400**	—
Other receivables	**—**	48,472
Total consideration	**6,400**	48,472
Less: Net liabilities/(assets) disposed of	**4,340**	(20,367)
Gain on disposal of the subsidiaries	**10,740**	28,105
Inflow/(outflow) of cash arising from disposal of the subsidiaries		
Cash consideration	**6,400**	—
Cash and cash equivalents in the subsidiaries disposal of	**(210)**	(16,249)
Net cash inflow/(outflow) from disposal of the subsidiaries	**6,190**	(16,249)

38. CONTINGENT LIABILITIES

At the reporting date, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	2010	2009
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities utilised by:		
— former related parties	**—**	63,000
— independent third parties	**139,000**	166,000
	139,000	229,000

39. COMMITMENTS

	2010	2009
	RMB'000	*RMB'000*
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
— Acquisition of property, plant and equipment	**2,884,169**	2,108,663
— Acquisition of prepaid lease payments	**—**	27,100
— Acquisition of subsidiaries	**143,061**	139,423

40. OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**28,653**	10,375
In the second to fifth year inclusive	**60,456**	34,347
Over five years	**38,250**	39,679
	127,359	84,401

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen (2009: fourteen) years and rentals are fixed for an average term of fourteen (2009: fourteen) years.

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2010	2009
	RMB'000	*RMB'000*
Within one year	**51,991**	42,798
In the second to fifth year inclusive	**156,183**	149,956
Over five years	**326,791**	366,617
	534,965	559,371

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2009: one year to twenty years).

41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by the Parent Company and has significant transactions and relationships with the Parent Company and its subsidiaries (the "Parent Group"). The Group also has entered into transactions with its associates, over which the Company can exercise significant influence.

(a) Transactions with the Parent Group, associates of the Group and non-controlling shareholders of the Company's subsidiaries

Apart from the amounts due from/(to) related parties as disclosed in Note 25, during the year, the Group had the following transactions with the Parent Company and the Parent Group, the associates of the Group and non-controlling shareholders of the Group's subsidiaries:

	2010	2009
	RMB'000	*RMB'000*
Provision of production supplies to		
— the Parent Group	**482,610**	78,507
— Associates	**5,215**	18,544
— Non-controlling shareholders of subsidiaries	**288,589**	—
	776,414	97,051
Provision of support services to the Parent Group	**11,282**	3,815
Rental income in respect of supply of equipment to		
— the Parent Group	**—**	7,569
— Associates	**—**	7,118
	—	14,687
Rental income received from		
— the Parent Group	**6,807**	1,047
— Associates	**18,634**	19,333
	25,441	20,380

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with the Parent Group, associates of the Group and non-controlling shareholders of the Company's subsidiaries *(Continued)*

Apart from the amounts due from/(to) related parties as disclosed in Note 25, during the year, the Group had the following transactions with the Parent Company and the Parent Group, the associates of the Group and non-controlling shareholders of the Group's subsidiaries: *(Continued)*

	2010 ***RMB'000***	2009 *RMB'000*
Interest income received from		
— Associates	**4,490**	12,457
— Non-controlling shareholders of subsidiaries	**5,330**	—
	9,820	12,457
Supply of raw materials by		
— the Parent Group	**180,654**	210,421
— Associates	**33,323**	24,168
— Non-controlling shareholders of subsidiaries	**68,157**	15,818
	282,134	250,407
Provision of production supplies by		
— the Parent Group	**14,813**	8,071
— Associates	**—**	64,541
	14,813	72,612
Provision of support services by the Parent Group	**8,378**	23,757
Supplying of equipment by the Parent Group	**45,508**	13,755
Interest expense paid to non-controlling shareholders of subsidiaries	**937**	—
Rendering of engineering services by the Parent Group	**57,573**	—

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Material transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group are hereinafter collectively referred to as "State-Owned Enterprises"). During the year, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a State-Owned Enterprise or not. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

While the directors of the Company consider State-Owned Enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of this report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the year as follows:

(i) Material transactions

	2010 ***RMB'000***	2009 *RMB'000*
Sales	**1,905,479**	1,220,430
Purchases	**1,340,349**	1,122,390
Finance costs	**2,578,960**	1,944,504

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Material transactions and balances with other state-owned enterprises in the PRC *(Continued)*

(ii) Material balances

	2010 *RMB'000*	2009 *RMB'000*
Trade and other receivables	**434,228**	255,999
Trade and other payables	**305,444**	235,434

In addition, the Group has entered into various transactions, including borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Short-term benefits	**10,204**	9,641
Share-based payments	**1,150**	1,150
Post-employment benefits	**160**	144
	11,514	10,935

42. EMPLOYEE BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 10.

43. SHARE APPRECIATION RIGHTS PLAN

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

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

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

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HKD3.50 each unit to the senior management of the Company as follows:

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

43. SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

As the SA Rights vest at different amounts until the grantees have completed a specified period of service, the Company recognised the services received and a liability of approximately RMB2.88 million (2009: approximately RMB2.88 million), being the estimated compensation paid for service rendered by the grantee during the year.

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

44. EVENTS AFTER THE BALANCE SHEET DATE

(i) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in Note 12.

(ii) Pursuant to the Land Transfer Agreement and its respective supplemental agreement signed in May 2010 between China National Building Material Group Corporation ("the Parent") and the Residential Construction Service Centre for Civil Servants of the Central Government Departments ("Residential Construction Service Centre of Central Government"), compensation fees would be paid by installment to the Company, Beijing New Building Material (Group) Company Limited and Beijing New Building Material Company Limited ("BNBM"), a subsidiary of the Company in accordance with the costs to be incurred by each party in connection with the relocation and replacement of the assets concerned.

On 28 December 2010, the Company has received all the compensation fees due directly to the Company in the amount of RMB300 million. BNBM, a subsidiary of the Company also received its respective part of compensation.

(iii) On 17 December 2010, South Cement, a subsidiary of the Company, entered into the Share Transfer Agreement with the China National Building Material Group Corporation ("the Parent") to acquire 30,090,951 shares of Fujian Cement Inc. ("Fujian Cement") for a consideration of RMB225.7 million, representing 7.88% of the issued share capital of Fujian Cement held by the Parent. As at 31 December 2010, an amount of RMB162.5 million was paid to the Parent and the completion of this transaction is subject to the approval from the SASAC. As at the date of this report, such approval has been obtained from SASAC.