BBMG 金隅

北京金隅股份有限公司
BBMG CORPORATION*

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

Stock Code : 2009

2011 *Interim Report*

/ *Cement* / *Modern Building Materials* / *Property Development* / *Property Investment & Management*

* *for identification purposes only*

Contents

CORPORATE INFORMATION

Chinese name of the Company	北京金隅股份有限公司
English name of the Company	BBMG Corporation
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Principal place of business in Hong Kong	Room 904, Wah Ying Cheong Central Building 158 – 164 Queen's Road Central, Hong Kong
Website of the Company	www.bbmg.com.cn
Legal representative	Jiang Weiping
The Board	
Executive Directors	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(President)* Shi Xijun Wang Hongjun Deng Guangjun
Non-executive Directors	Li Xinhua (appointed on 30 March 2011) Zhou Yuxian (resigned on 30 March 2011)
Independent non-executive Directors	Hu Zhaoguang Xu Yongmo Zhang Chengfu Yip Wai Ming
Supervisors	Wang Xiaoqun Hu Jingshan Zhang Jie Hong Ye Wang Youbin Ma Weixin Sheng Guihua (appointed on 15 July 2011) Fan Xiaolan (resigned on 15 July 2011)
Committees	
Audit Committee	Zhang Chengfu *(Chairman)* Hu Zhaoguang Xu Yongmo Li Xinhua (appointed on 30 March 2011) Yip Wai Ming Zhou Yuxian (resigned on 30 March 2011)
Remuneration and Nomination Committee	Jiang Weiping *(Chairman)* Shi Xijun *(Vice Chairman)* Hu Zhaoguang Zhang Chengfu Xu Yongmo

Strategic Committee	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(Vice Chairman)* Wang Hongjun Deng Guangjun Hu Zhaoguang Zhang Chengfu Xu Yongmo
Authorised representatives	Wang Hongjun Wu Xiangyong
Joint company secretaries	Wu Xiangyong Lau Fai Lawrence
Qualified accountant	Lau Fai Lawrence
Listing Information	
A Shares	
A Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building 166 Lujiazui Road East, Pudong New District, Shanghai, the PRC
Place of listing	Shanghai Stock Exchange
Stock name	BBMG
Stock code	601992
H Shares	
H Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Place of listing	The Stock Exchange of Hong Kong Limited
Stock name	BBMG
Stock code	02009.HK
Principal bankers	Agricultural Bank of China Limited Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd. China Construction Bank Corporation Bank of Beijing Co., Ltd.
Independent auditors	Ernst & Young *Certified Public Accountants* *As international auditors* Beijing Xinghua *Certified Public Accountants* *As domestic auditors*
Legal advisers	Paul Hastings *As to Hong Kong law* Guantao Law Firm *As to PRC law*


Jiang Weiping
Chairman

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the interim results of the Group for the six months ended 30 June 2011, and the satisfactory performance of the Group during the said period for your review.

Interim Results

During the reporting period, the Group's unaudited revenue under HKFRSs amounted to approximately RMB12,586.5 million, an increase of approximately 42.2% as compared with the same period of 2010; the profit attributable to the owners of the Company was approximately RMB1,635.8 million, an increase of approximately 54.1% as compared with the same period of 2010; and the earnings per share attributable to the owners of the Company were approximately RMB0.39.

Confronted with the challenging, complex and uneven economic landscapes at home and abroad, the Board capitalized on the development opportunities, defined its development direction, formulated the development strategies in a scientific manner and refined the development mode by leveraging on the Group's strengths in strategic planning, industrial chain, management integration, technology and branding according to favourable regulatory policies of the industry. The Group also aggressively expanded its target markets, strengthened its regional resource integration and internal resource adjustment, and enhanced its management standards and operating efficiency in a bid to maintain a steady, fast and healthy development in its business performance and a solid growth in its core businesses.

Business Environment

In the first half of 2011, against the backdrops of the complex and uneven economic landscapes of the global economy and the new complications and problems arising in the domestic economic operation, the PRC government was committed to consistently implementing a proactive fiscal policy and a prudent monetary policy and continuously tightening and improving its macro-control over the economy. The overall operation of the economy posted a steady growth and embarked on a path towards the anticipated direction of macro-control. The GDP of China for the first half of 2011 amounted to RMB20,445.9 billion, recorded a healthy growth of 9.6% as compared with the same period of 2010.

Industry Development

In the first half of 2011, the overall operation and performance of the cement industry nationwide posted a steady growth. The aggregate production volume of cement for sizable enterprises amounted to 950 million tonnes, representing a year-on-year increase of 19.57%. The profitability of the industry has been substantially improved and various indicators of the industry have beaten the expectation. During the first half of 2011, investments in the cement industry experienced a negative growth under the influence of the industry consolidation and streamlining policy; thus limiting new cement production capacity to a great extent in the future. As the PRC government is determined to promote energy savings and emissions reduction, encourage mergers and restructuring of enterprises and eliminate obsolete production capacity, the cement industry will be further optimized, while the supply and demand mechanism will continue to shift.

In the first half of 2011, investment in property nationwide surged by 32.9% to RMB2,625 billion as compared with the same period of 2010. The construction project for 10 million units of affordable housing in the PRC has been progressing in full swing. Over 5 million units of affordable housing have commenced construction in the first half of 2011 and it is expected that all of the 10 million units of affordable housing will have commenced construction by the end of November 2011. A parallel development pattern for both ordinary housing and affordable housing is gradually taking shape in the property market. Through stepping up efforts in the construction of affordable housing and curbing irrational demand for housing, the government is able to control and facilitate a healthy development of the property market.

Prospects

In the second half of 2011, the Group will capitalize on the opportunities arising from the policy adjustments promulgated by the PRC government on its macro policies to cope with the changes in both domestic and international economic landscapes, continue to strengthen its competitiveness in the regional markets, and step up its industrial planning, so as to realize the synergy of its business chain and drive the Group into a rapid and steady development.

With respect to the cement and ready-mixed concrete segment: in response to the industrial policy of the PRC government which imposes strict control over new cement production capacity with a determination to eliminate obsolete production capacity, the Company will seize the opportunity to further reinforce and expand its "grand cross-shape" strategic layout (「大十字」戰略佈局) in the "Beijing, Tianjin and Hebei" region as well as to adhere to a development path characterized by organic growth. The Company will increase the industrial concentration of cement and commercial concrete, as well as raise its competitiveness and strengthen its dominance in the regional markets. By pushing forward the transformation of cement enterprise into urban environmental friendly enterprise, renovating technologies for conserving energy and reducing emission of the clinker production lines, promoting an operating model based on circular economy, developing pure low-temperature and waste heat generation, promoting the application of the technology for the disposal of urban garbage in cement kilns, the Company will enhance its capability in urban solid waste management, expand profitability of the cement segment and strengthen its ability for sustainable development.

With respect to the modern building materials segment: the Company will further explore new directions and make breakthroughs in industrial development so as to speed up the improvement in its economic operational quality and profitability. The Company will expedite the construction of the "Industrial Park" and the commencement of the production lines thereof to facilitate an effective industry-clustered development. The Company will step up its efforts in the construction of an industrial platform, coordinate manufacturing and trade flow logistics business service in an effective manner, reinforce strategic collaboration and expand its advantage in products support to achieve a synchronized increase in efficiency and scale.

With respect to the property development segment: the Company will put more efforts on the research on industry regulatory policies to formulate effective counter measures. Through optimizing its product mix as well as moderately adjusting the regional layout, the Company will raise its professional sales capability to capture the first-mover advantage in the market. Leveraging on its competitive advantages, the Company will actively participate in the planning and construction of economically affordable housing projects promoted by the PRC government as well as accelerate the completion and sales handover of such projects. The Company will accelerate the conversion of self-owned industrial lands and continuously expand its land reserves when opportunities arise to assure sustainable development of the real property segment. The Company will carry forward the industrialization process of the real estate industry in the PRC, realize the synergy among different industrial segments, and make every effort to transform into an international real estate business group.

With respect to the property investment and management segment: the Company will further optimize its internal mechanism, give full play to its brand advantage and expand its profit model. The Company will continue the operations of existing mature commercial property projects and reinforce inter-segments collaboration by maintaining a high occupancy rate and rental level. Great importance will be attached to the commencement of operation of Beijing Jinyu Sheraton Hotel and the service apartment of Global Trade Center, as well as the increase in the total area of investment properties held by the Company; thus establishing a unified operational model incorporating constructions, operations and services for commercial projects of the Group. The Company will raise its operational capability of assets, as well as expedite the regional and professional management of operations so as to continuously restructure its internal resources and utilize its integrated advantages and realize the benefits brought by such integration.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the Shareholders and business partners of the Group for their enduring support and assistance. I believe that with the tremendous support of the shareholders and the concerted efforts of all staff, the Company will further achieve a rapid development of its businesses and create greater investment value for the Shareholders.

Jiang Weiping
Chairman of the Board
Beijing, the PRC, 29 August 2011


STARBUCKS
COFFEE
Sally Hansen
ROLEX
OMEGA
GUESS

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

Unit: RMB million

	For the six months ended		
	30 June 2011	30 June 2010 (Restated)	Change %
Revenue	***12,586.5***	8,852.6	42.2%
Gross profit	***3,473.9***	1,985.6	75.0%
Gross profit margin (%)	***27.6***	22.4	an increase of 5.2 percentage points
Net profit	***1,701.0***	1,171.8	45.2%
Net profit attributable to owners of the Company	***1,635.8***	1,061.7	54.1%
Earnings per share attributable to owners of the Company (RMB)	***0.39***	0.27	44.4%
Total assets	***68,258.9***	62,128.9*	9.9%
Net assets	***19,577.2***	18,947.5*	3.3%

* As at 31 December 2010 (restated)

Summary of Business Information

	For the six months ended 30 June 2011	30 June 2010 (Restated)	Change %
Cement Segment			
Cement sales volume (in million tonnes)	***17.43***	12.12	43.8%
Concrete sales volume (in million cubic meters)	***3.52***	3.71	-5.1%
Modern Building Materials Segment			
Furniture and decorative materials (in RMB million)	***482.8***	449.4	7.4%
Refractory materials (in RMB million)	***402.6***	381.3	5.6%
Trade and materials (in RMB million)	***1,386.6***	986.0	40.6%
Revenue from energy-saving wall body materials (in RMB million)	***203.2***	151.9	33.8%
Property Development Segment			
Booked GFA (in thousand sq.m.)	***374.0***	337.0	11.0%
GFA under presales contract (in thousand sq.m.)	***373.0***	256.0	45.7%
Property Investment and Management Segment			
Gross GFA of investment property (in thousand sq.m.)	***745.0***	713.0	4.5%

Review of Overall Results

In the first half of 2011, the results of the Company grew rapidly. Revenue increased by 42.2% year-on-year to RMB12,586.5 million; gross profit amounted to RMB3,473.9 million, a year-on-year increase of 75.0%; net profit attributable to owners of the Company increased by 54.1% year-on-year to RMB1,635.8 million.

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

- Revenue from cement segment increased by 47.8% year-on-year to RMB6,142.4 million, with gross profit increasing by 95.7% year-on-year to RMB1,460.4 million;

- Revenue from modern building materials segment increased by 25.7% year-on-year to RMB2,475.2 million, with gross profit increasing by 30.7% year-on-year to RMB450.5 million;

- Revenue from property development segment increased by 62.1% year-on-year to RMB3,709.9 million, with gross profit increasing by 114.5% year-on-year to RMB1,285.5 million; and

- Revenue from property investment and management segment increased by 28.9% year-on-year to RMB678.3 million, with gross profit increasing by 34.3% year-on-year to RMB406.1 million.

Analysis of Business Segments

1. Cement Segment

In the first half of 2011, through the enhancement of the unified management model, the Company substantially improved its coordinated operation and strengthened its dominance in regional markets with a great leap in operation results. In the first half of 2011, the aggregated sales volume of cement reached approximately 17.43 million tonnes, an increase of approximately 5.31 million tonnes year-on-year; sales volume of commercial concrete totalled approximately 3.52 million cubic meters, a decrease of approximately 0.19 million cubic meters year-on-year. The cement segment achieved revenue of approximately RMB6,142.4 million, an increase of approximately 47.8% year-on-year; gross profit amounted to approximately RMB1,460.4 million, an increase of approximately 95.7% year-on-year with combined gross profit margin increasing by 5.8 percentage points year-on-year to 23.8%.

The Company continued to strengthen its internal control, reduce its operating cost and increase its profitability by adhering to a development path characterized by organic growth. In the first half of the year, profit from the cement business and commercial concrete business of the Company has greatly improved. The average gross profit margin of cement and clinker amounted to 25.8%, an increase of 6.8 percentage points year-on-year, while the gross profit margin of commercial concrete amounted to 10.5%, an increase of 4.9 percentage points year-on-year. The average gross profit per tonne of cement and clinker reached RMB75/tonne, an increase of RMB20/tonne year-on-year, of which the gross profit per tonne of cement was RMB80/tonne, an increase of RMB19/tonne year-on-year, while the gross profit per tonne of clinker was RMB65/tonne, an increase of RMB33/tonne year-on-year.

The Company also continuously improved and expanded its "grand cross-shape" strategic layout (「大十字」戰略佈局) in the "Beijing, Tianjin and Hebei" region. The centralized release of the Company's new cement production capacity of 10 million tonnes won a remarkable enhancement for the Company in its regional market concentration and market competitiveness. The Company also speeded up its capacity expansion by fully commencing construction of new projects including those owned by Qinyang BBMG Cement Co., Ltd. (沁陽市金隅水泥有限公司), Xuanhua BBMG Cement Co., Ltd. (宣化金隅水泥有限公司) and Zuoquan BBMG Cement Co., Ltd. (左權金隅水泥有限公司), which expected to bring the Company with additional cement production capacity of approximately 3.5 million tonnes.

The Company was committed to adopting a business model emphasizing on emission reduction, energy conservation, clean production and environmental friendliness. Great efforts were also made in forging ahead the transformation of cement enterprises to urban environmental friendly business and advancing the environmental friendly production technologies for energy conservation and emission reduction, such as promotion of pure low-temperature and waste heat generation and the application of the technology for the disposal of urban garbage in cement kilns. In the first half of the year, the Company's cement plants has disposed a total of approximately 80,000 tonnes of drudges while pure low-temperature and waste heat generation has generated more than 300 million kWh of electricity, achieving a harmonious development of benefits to economy, society and ecology.

2. Modern Building Materials Segment

In the first half of 2011, the Company put great efforts in exploring new regional markets for its modern building materials business and recorded a sustainable rapid growth in operating results. In the first half of the year, sales revenue increased by approximately 25.7% year-on-year to approximately RMB2,475.2 million with gross profit increased by approximately 30.7% year-on-year to approximately RMB450.5 million while the consolidated gross profit margin amounted to 18.2%, an increase of 0.7 percentage point year-on-year.

The Company further made full use of the advantages from industry integration and continued to consolidate its four major sub business units including decorative and fitting materials, wall body and insulation materials, refractory materials and trading and logistics. The Company will expedite the construction of the "Industrial Park" to achieve substantial improvement in operation efficiency and market competitiveness. The coating production line which has an annual capacity of 50,000 tonnes in the industrial park in Dachang has been duly put into operation. The refractory materials production line of Yangquan Tongda BBMG Refractory Materials Co., Ltd. (陽泉通達高溫材料有限公司) with a production capacity of 150,000 tonnes has completed construction and commenced operation. The upgrade project for the aerated concrete production line of BBMG Aerated Concrete Co., Ltd. (北京金隅加氣混凝土有限責任公司), with an annual production capacity of 180,000 cubic meters, and the construction of the aerated concrete production line project in the industrial park in Doudian, with a production capacity of 300,000 cubic meters, were completed.

Efforts have also been made to step up the expansion of new regional markets and enhance the construction of marketing channels and strengthen the market dominance in a bid to build an integrated platform for product marketing and display. In the first half of the year, refractory materials recorded total sales of 135,000 tonnes, an increase of 27% year-on-year; the trading business achieved revenue of RMB1.39 billion, an increase of 40.6% year-on-year.

3. Property Development Segment

In the first half of 2011, to respond the property regulatory policy of the PRC government, the Company's property development segment, with the implementation of the operational strategy of the "two structures" (兩個結構) and "accelerating cash flow" (好水快流), accelerated project development and stepped up sales momentum by seizing the market opportunity arising from the Beijing municipal government's policy of intensifying the construction of affordable housing (200,000 units of affordable housing are expected to commence construction in Beijing in 2011), leading to rapid growth in operational results. In the first half of 2011, the Company's property development segment achieved sales revenue of approximately RMB3,709.9 million, an increase of approximately 62.1% year-on-year; gross profit was approximately RMB1,285.5 million, an increase of approximately 114.5% year-on-year; gross profit margin was 34.7%, an increase of 8.5 percentage points year-on-year; booked GFA reached 374,000 sq.m., an increase of 11.0% year-on-year; GFA under presales contract was 373,000 sq.m., an increase of 45.7% year-on-year; contract value amounted to RMB4,944.0 million, an increase of 87.2% year-on-year.

In response to the regulatory policies of the industry, the Company accelerated project development and construction. In the first half of 2011, projects including Tangshan Jinyu Villa (唐山金隅山墅), Tongzhou Jincheng Center (通州金成中心) and Chayuan District Project in Chongqing (重慶茶園項目) commenced their construction, with GFA under construction and completed GFA of 866,000 sq.m. and 194,000 sq.m. respectively.

By grasping the opportunities arising from the new policies of the PRC government, the Company actively promoted the development and occupancy confirmation of affordable housing projects, accelerated the recovery of its capital and effectively curbed market risks. In the first half of 2011, housing occupants were confirmed for the Company's projects such as Chaoyang New City (朝陽新城) and Jinyu Jiaheyuan (金隅嘉和園). The development of the affordable housing project in Yanshan progressed smoothly. In May 2011, the Company obtained the "Beijing Dandian" (北京單店) affordable housing project, with a total planned GFA of 201,200 sq.m.. As at 30 June 2011, the land reserve owned by the Group for the construction of affordable housing in Beijing totalled approximately 1.1 million sq.m..

The Company sharpened its land resource reserves advantages. As at 30 June 2011, the Company's total land reserves reached approximately 6 million sq.m.. In addition, the Company will progressively promote the conversion and development of its self-owned industrial land in Beijing and continuously expand the operational scale and improve the operational results of the property development segment.

4. Property Investment and Management Segment

Giving full play to integrated advantages, the Company witnessed improvement in the operation standard, management expertise and service quality for the first half of 2011, thereby generating a synchronized growth in both operating scale and economic benefits. In the first half of 2011, the property investment and management segment achieved sales revenue of approximately RMB678.3 million, an increase of approximately 28.9% year-on-year; gross profit amounted to approximately RMB406.1 million, an increase of approximately 34.3% year-on-year; gross profit margin was 59.9%, an increase of 2.4 percentage points year-on-year.

The area of the Company's investment properties posted a steady growth, presenting a leap forward in operation scale and market competitiveness. As at 30 June 2011, the total gross floor area of the investment properties of the Company increased to 745,000 sq.m.. It is envisaged that these properties will have tremendous potential for appreciation in the future. The 5-star Beijing Jinyu Sheraton Hotel located on the North Third Ring Road in Beijing will soon commence operation, which will enable the Company to further enhance its operation scale and efficiency.

Seizing favourable opportunities in the market, the Company enhanced its operating results. During the reporting period, the rents of the Group's high-end projects of office towers surged as compared with the corresponding period last year while rents for new and renewed leases increased by approximately 30% and the occupancy rate remained steady and improved to 92%, which had scaled the heights in the industry.

Analysis of Other Items in the Consolidated Income Statement

1. Other income and gains

During the reporting period, other income and gains of the Company amounted to RMB511.5 million, a decrease of RMB159.1 million year-on-year. The decrease was mainly attributable to the decreased revenue from debt restructuring and disposal of assets.

2. Gains or losses arising from changes in the fair value of investment properties

During the reporting period, the gains or losses arising from changes in the fair value of investment properties of the Company were RMB419.8 million, a decrease of RMB8.0 million year-on-year. In the first half of 2011, the valuation of investment properties at major locations such as the Global Trade Center went up as a result of the increase in office building rentals. Meanwhile, the overall amount of valuation decreased due to, among other matters, the disposal of Tongzhou Commercial Center (通州商城).

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

The Company's expenses during the reporting period were RMB1,745.7 million, an increase of RMB489.0 million year-on-year. The percentage of expenses to revenue decreased by 0.3 percentage point year-on-year to 13.9%:

(1) selling and marketing expenses were RMB471.5 million, an increase of RMB131.5 million year-on-year. Through unified sales channels and other methods implemented by the Company, the percentage of selling costs to revenue decreased by 0.1 percentage point year-on-year to 3.7%.

(2) administrative expenses were RMB925.0 million, an increase of RMB183.8 million year-on-year. The increase was mainly due to the business expansion which led to the increase in administrative expenses. However, as the Company carried out the integration of internal management, the percentage of administrative expenses to revenue decreased by 1.1 percentage points year-on-year to 7.3%.

(3) finance costs were RMB349.2 million, an increase of RMB173.8 million year-on-year. The percentage of finance costs to revenue increased by 0.8 percentage point year-on-year to 2.8%, which was mainly due to the increase in medium-term notes in issue and bank borrowings, as well as the interest rate hike of banking borrowings by the PRC government.

Analysis of Assets and Liabilities

Comparison of major assets and liabilities items

Unit: RMB million

	As at 30 June 2011	As at 31 December 2010 (Restated)	Change
Current assets	***37,899.6***	33,340.1	13.7%
Current liabilities	***32,246.2***	27,842.5	15.8%
Net current assets	***5,653.4***	5,497.6	2.8%
Non-current assets	***30,359.3***	28,788.8	5.5%
Non-current liabilities	***16,435.5***	15,339.0	7.1%
Total assets	***68,258.9***	62,128.9	9.9%
Net assets	***19,577.2***	18,947.5	3.3%
Debt ratio (total liabilities to total assets)	***71.3%***	69.5%	an increase of 1.8 percentage points

Liquidity and Financial Resources

As at 30 June 2011, the Group's consolidated total assets amounted to RMB68,258.9 million, an increase of 9.9% from the beginning of the reporting period which were financed by liabilities of RMB48,681.7 million, non-controlling interests of RMB1,204.4 million and equity of RMB18,372.8 million. The asset quality of the Group was significantly improved; net assets amounted to RMB19,577.2 million, an increase of 3.3% from the beginning of the reporting period. As at 30 June 2011, the Group's net current assets were RMB5,653.4 million, an increase of RMB155.8 million from the beginning of the reporting period. Debt ratio (total liabilities to total assets) was 71.3%, an increase of 1.8 percentage points from the beginning of the reporting period.

As at 30 June 2011, the Group's total cash and cash equivalents and restricted cash amounted to RMB5,983.9 million, an increase of RMB696.7 million from the beginning of the reporting period. During the reporting period, the Group generally financed its operations with internally generated resources, corporate bonds, medium-term notes and banking facilities provided by its principal bankers in the PRC. As at 30 June 2011, the Group's interest-bearing bank borrowings amounted to RMB20,433.1 million. Of these borrowings, approximately RMB11,960.5 million interest-bearing bank borrowings were due for repayment within one year, an increase of approximately RMB2,631.7 million from the beginning of the period. Approximately RMB8,472.6 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB902.2 million from the beginning of the period.

During the reporting period, the Company signed cooperation agreements with various banks to obtain credit facility. The Company has sufficient capital for its operation.

Material Acquisition of Subsidiaries

(a) On 6 July 2010, the Company and Taihang Cement entered into a merger agreement in respect of the merger of Taihang Cement with the Company (the "**Merger Proposal**") and the Company will issue A shares to the shareholders of Taihang Cement to implement the Merger Proposal (the "**A Share Issue**"). The Board considered that the Merger Proposal is (i) a better mean to implement the undertaking made by the Parent regarding the avoidance of the potential business competition between the Parent and Taihang Cement; (ii) a mean to avoid business competition between the Company and Taihang Cement; (iii) a mean to reduce the continuing connected transaction amounts between the Parent Group and the Group and to consolidate and streamline the cement assets within the Group for the Group's future development; and (iv) a chance for establishing a new financing platform in the A share market for the Group in the future. The Merger Proposal was completed on 1 March 2011.

(b) On 12 January 2011, the Company, BBMG Home Furnishing Co., Ltd. (a wholly-owned subsidiary of the Company) and BBMG Property Management Co., Ltd. (a wholly-owned subsidiary of the Company) entered into an amendment agreement with the Parent, Beijing Building Materials Sales Centre (a wholly-owned subsidiary of the Parent) and Beijing Building Materials Group Corporation Industrial & Commerce Development Co. Ltd. (the Parent holds more than 50% of its voting power). Pursuant to the amendment agreement, the completion date of the acquisition of 67.5% equity interest in Crane (Beijing) Building Materials Co., Ltd, (the "**Crane Beijing Acquisition**"), 100% equity interest in Beijing Yuandong Jiemei Services Company (the "**Beijing Yuandong Jiemei Acquisition**") and 100% equity interest in BBMG Hongye Ecological Science and Technology Co., Ltd. (the "**BBMG Hongye Acquisition**") from the Parent and its subsidiaries by the Group was extended to on or before 30 May 2011 or such other later date as agreed by the parties. The Crane Beijing Acquisition, the Beijing Yuandong Jiemie Acquisition and the BBMG Hongye Acquisition were completed on 30 May 2011.

CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for as at the end of the reporting period:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	***3,169,180***	3,398,254

Note:

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

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

Employees

As at 30 June 2011, the Group had 30,529 employees in total (as at 31 December 2010: 27,318). The Group provides its employees in the PRC with retirement insurance, medical insurance, unemployment insurance, maternity insurance and industrial injury insurance as well as a housing provident fund pursuant to the PRC laws and regulations. The Group pays salaries to the employees based on a combination of factors such as their positions, lengths of service and work performance, and reviews these salaries and benefits on a regular basis.

Foreign Exchange Risk Management

The Group mainly operates its business in the PRC. During the reporting period, sales proceeds and procurement expenses of the Group were mainly denominated in RMB. Most of the Group's financial instruments such as trade and bills receivables, cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions are related. Accordingly, it is believed that the Group has minimal foreign currency risks. The Group has not used any forward contract or currency borrowing to hedge its interest rate risks. Fluctuations of the exchange rates of foreign currencies did not constitute any major challenges for the Group or had any significant effects on its operations or working capital during the year. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Pledge of Assets

As at 30 June 2011, certain of the Group's investment properties, property, plant and equipment, land use rights and properties under development amounting to approximately RMB6,454.0 million (31 December 2010: RMB6,261.4 million (restated)) were pledged to certain banks for securing the loans granted to the Group and accounted for approximately 9.5% of the total assets of the Group (31 December 2010: 10.1% (restated)).

Commitments for Material Investments and Capital Assets

As at 30 June 2011, the Group has a total commitments of approximately RMB3,489.9 million (31 December 2010: RMB5,309.4 million (restated)) in respect of acquisitions of property, plant and equipment, properties being developed for sale and equity and assets acquisitions contracted prior to the end of the reporting period which will be funded by internal resources of the Group and/or bank loans.

Treasury Policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in RMB. Surplus cash is generally placed in short term deposits denominated in RMB.

OTHER INFORMATION

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2011, the total issued share capital of the Company was 4,283,737,060 shares, of which 3,114,354,625 were A shares and 1,169,382,435 were H shares and to the best knowledge of the Directors, the records of interest (being 5% or more of the Company's issued share capital) as registered in the register kept by the Company under section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long Positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A Shares	BBMG Group Company Limited	Directly and Beneficially Owned	1,844,852,426	59.24	43.07
A Shares	China National Materials Co., Ltd.	Directly and Beneficially Owned	239,580,000	7.69	5.59
A Shares	Hopeson Holdings Limited	Directly and Beneficially Owned	205,380,000	6.59	4.79
H Shares	JP Morgan Chase & Co.	Directly and Beneficially Owned	117,095,712	10.01	2.73
H Shares	Sloane Robinson LLP	Directly and Beneficially Owned	70,497,000	6.03	1.65

Short positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
A Shares	BBMG Group Company Limited	Directly and Beneficially Owned	92,120,474	2.96	2.15
H Shares	JP Morgan Chase & Co.	Directly and Beneficially Owned	60,248,212	5.15	1.41

Save as disclosed above, as at 30 June 2011, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be recorded in the register required to be kept under section 336 of the SFO.

Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares and Underlying Shares

As at 30 June 2011, none of the Directors, supervisors and chief executives of the Company had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the laws of Hong Kong), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the model code for securities transactions by the Directors, supervisors and relevant employees on terms no less exacting than the required trading standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Listing Rules**") (the "**Required Standard**"). Relevant employees who are likely to be in possession of unpublished price sensitive information of the Company in relation to the purchase and sale of the securities of the Company are also required to comply with the Required Standard.

As at 30 June 2011, the Directors were not aware of any issues of the Directors, supervisors and relevant employees not in compliance with the Required Standard during the period of six months ended 30 June 2011. Specific enquiry has been made to all Directors and supervisors, who have confirmed that they had complied with the Required Standard during the reporting period.

Purchase, Sales or Redemption of the Company's Listed Securities

The Group did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the six months ended 30 June 2011.

Code on Corporate Governance Practice

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of shareholders and devotes considerable effort identifying and formalizing best practice. The Company has adopted the code provisions contained in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The Company has complied with the CG Code during the six months ended 30 June 2011.

The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises six executive Directors, one non-executive Director and four independent non-executive Directors. It has a strong independence element in its composition.

Investor Relations Management

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. During the reporting period, the Group has been actively maintaining contact with investors and keeping them abreast of the latest industry updates, corporate communications and business development in a timely manner, so as to establish a platform for fair, open and transparent information disclosure. The secretary of the Board and one of the joint company secretaries, Wu Xiangyong, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the six months ended 30 June 2011, the Group actively participated in various investor relations activities and provided on-time information to investors through its company website.

1. A Share Issue and Roadshow

The A Shares of the Company have been successfully listed on the Shanghai Stock Exchange on 1 March 2011. During the A Share issue, webcast investor meetings and nationwide roadshows were held in major cities of the PRC where one-on-one, group meetings and luncheons were arranged with various fund managers and analysts to explain the strengths and growth strategies of the Group. The Group is endeavored to continue to actively participate in roadshows and presentations organized by sizable investment banks to provide up-to-date information about the Group and future prospects to the investors so as to increase the investors' understanding of the Group.

2. Investor Forums and Conferences

During the six months ended 30 June 2011, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in the PRC, Hong Kong and Singapore, and actively organized one-on-one and group meetings with various fund managers and analysts. During the reporting period, the Group has met with more than 200 analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group.

3. Ongoing Communications with Shareholders, Investors and Analysts

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

4. Results Announcement

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

5. Maintaining Interactive Communications with Media

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

6. Timely Dissemination of Latest Corporate Updates

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

Investor Information

1. Share Particulars

H Shares	
Stock Exchange	Hong Kong Stock Exchange
Board lot	500 Shares
Number of issued H Shares	1,169,382,435 H Shares (as at 30 June 2011)
Stock code	2009
A Shares	
Stock Exchange	Shanghai Stock Exchange
Board lot	100 Shares
Number of issued A Shares	3,114,354,625 A Shares (as at 30 June 2011)
Stock code	601992

2. Financial Calendar

2010 final results announcement	published on 30 March 2011
Annual general meeting	24 May 2011
Book closure for 2010 final dividends of H Shares	13 June 2011 – 17 June 2011
Payment of 2010 final dividends of H Shares	22 July 2011
2011 interim results announcement	published on 29 August 2011
Financial year end	31 December

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Beijing
The People's Republic of China

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

Audit Committee

The Company has established the Audit Committee pursuant to the provisions of the CG Code, aimed at reviewing and supervising the Group's financial reporting procedures. The Audit Committee is composed of one non-executive director and four independent non-executive directors. At the meeting convened on 29 March 2011, the Audit Committee had reviewed the audited consolidated financial statements for the year ended 31 December 2010. At the meeting convened on 29 August 2011, the Audit Committee had reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, considered the Group's financial statements for the first half of 2011 and recommended their adoption by the Board.

As at 30 June 2011, members of the Audit Committee are Mr Zhang Chengfu (independent non-executive Director), Mr Hu Zhaoguang (independent non-executive Director), Mr Xu Yongmo (independent non-executive Director), Mr Li Xinhua (non-executive Director) and Mr Yip Wai Ming (independent non-executive Director). Mr Zhang Chengfu is the chairman of the Audit Committee.

Auditors

The Board has engaged Ernst & Young, Certified Public Accountants, to review the interim results of the Company.

Report on Review of Interim Condensed Consolidated Financial Statements

ERNST & YOUNG
安 永

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

Introduction

We have reviewed the interim condensed consolidated financial statements of BBMG Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 58 which comprises the interim condensed consolidated statement of financial position as at 30 June 2011, and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

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

29 August 2011

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited and restated) RMB'000
REVENUE	4	**12,586,508**	8,852,567
Cost of sales		**(9,112,654)**	(6,867,006)
Gross profit		**3,473,854**	1,985,561
Other income and gains	4	**511,481**	670,606
Fair value gains on investment properties, net		**419,840**	427,772
Selling and marketing expenses		**(471,472)**	(339,992)
Administrative expenses		**(925,037)**	(741,285)
Other expenses		**(127,423)**	(79,702)
Finance costs	6	**(349,162)**	(175,405)
Share of profits and losses of:			
Jointly-controlled entities		**1,207**	(15,483)
Associates		**(1,886)**	(53)
PROFIT BEFORE TAX	5	**2,531,402**	1,732,019
Income tax expense	7	**(830,388)**	(560,195)
PROFIT FOR THE PERIOD		**1,701,014**	1,171,824
Attributable to:			
Owners of the Company		**1,635,824**	1,061,734
Non-controlling interests		**65,190**	110,090
		1,701,014	1,171,824
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	9	**RMB0.39**	RMB0.27

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**1,701,014**	1,171,824
Net loss on available-for-sale investments:		
Changes in fair value	**(17)**	(1,582)
Income tax effect	**4**	396
	(13)	(1,186)
Gains on property revaluation	**–**	95,765
Income tax effect	**–**	(23,941)
	–	71,824
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(13)**	70,638
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,701,001**	1,242,462
Attributable to:		
Owners of the Company	**1,635,811**	1,132,372
Non-controlling interests	**65,190**	110,090
	1,701,001	1,242,462

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**14,773,753**	13,998,125
Investment properties		**11,067,571**	10,592,900
Land use rights		**2,675,117**	2,609,185
Goodwill		**313,559**	313,559
Other intangible assets		**42,714**	36,316
Mining rights		**422,757**	181,990
Prepayments		**35,736**	35,070
Interests in jointly-controlled entities		**190,189**	221,559
Interests in associates		**310,566**	312,645
Available-for-sale investments		**11,527**	21,351
Deferred tax assets		**515,806**	466,080
Total non-current assets		**30,359,295**	28,788,780
CURRENT ASSETS			
Inventories		**23,218,515**	20,994,435
Trade and bills receivables	11	**4,794,957**	3,253,521
Prepayments, deposits and other receivables		**3,805,459**	3,734,390
Tax recoverable		**96,787**	70,669
Restricted cash		**1,015,182**	256,531
Cash and cash equivalents		**4,968,688**	5,030,592
Total current assets		**37,899,588**	33,340,138
CURRENT LIABILITIES			
Trade and bills payables	12	**4,683,883**	4,419,258
Other payables and accruals		**13,926,782**	12,785,448
Dividend payable		**311,900**	8,213
Interest-bearing bank loans	13	**11,960,505**	9,328,818
Taxes payable		**1,320,445**	1,258,099
Provision for supplementary pension subsidies and early retirement benefits		**42,684**	42,649
Total current liabilities		**32,246,199**	27,842,485
NET CURRENT ASSETS		**5,653,389**	5,497,653
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,012,684**	34,286,433

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	**8,472,645**	7,570,445
Corporate bonds		**4,688,702**	4,684,792
Deferred tax liabilities		**1,942,535**	1,724,638
Provision for supplementary pension subsidies and early retirement benefits		**533,654**	540,533
Deferred income		**657,677**	678,251
Other non-current liabilities		**140,292**	140,292
Total non-current liabilities		**16,435,505**	15,338,951
Net assets		**19,577,179**	18,947,482
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**4,283,737**	3,873,333
Reserves		**14,089,092**	12,892,521
Proposed final dividend		**–**	299,862
		18,372,829	17,065,716
Non-controlling interests		**1,204,350**	1,881,766
Total equity		**19,577,179**	18,947,482

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Available-for-sale investment revaluation reserve (Unaudited) RMB'000	Assets revaluation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2011												
As previously reported	3,873,333	7,074,287	192,547	–	(2,122,447)	(2,742)	73,072	6,786,326	299,862	16,174,238	1,882,046	18,056,284
Business combination under common control and change of accounting policy (note 15)	–	–	–	7,336	807,780	–	–	76,362	–	891,478	(280)	891,198
As restated	3,873,333	7,074,287	192,547	7,336	(1,314,667)	(2,742)	73,072	6,862,688	299,862	17,065,716	1,881,766	18,947,482
Profit for the period	–	–	–	–	–	–	–	1,635,824	–	1,635,824	65,190	1,701,014
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(13)	–	–	–	(13)	–	(13)
Total comprehensive income for the period	–	–	–	–	–	(13)	–	1,635,824	–	1,635,811	65,190	1,701,001
Issue of shares	410,404	3,225,072	–	–	–	–	–	–	–	3,635,476	–	3,635,476
Contributions from non-controlling shareholders	–	–	–	–	(5,043)	–	–	–	–	(5,043)	90,450	85,407
Acquisitions of non-controlling interests	–	–	–	–	(2,803,156)	–	–	–	–	(2,803,156)	(890,485)	(3,693,641)
Acquisitions of subsidiaries (note 16)	–	–	–	–	–	–	–	–	–	–	82,039	82,039
Business combination under common control (note 15)	–	–	–	(7,336)	(848,777)	–	–	–	–	(856,113)	–	(856,113)
Dividend of subsidiaries	–	–	–	–	–	–	–	–	–	–	(24,610)	(24,610)
Final 2010 dividend declared	–	–	–	–	–	–	–	–	(299,862)	(299,862)	–	(299,862)
At 30 June 2011	4,283,737	10,299,359*	192,547*	–*	(4,971,643)*	(2,755)*	73,072*	8,498,512*	–	18,372,829	1,204,350	19,577,179

* These reserve accounts comprise the consolidated reserves of RMB14,089,092 (31 December 2010: RMB12,892,521 (restated)) in the interim condensed consolidated statement of financial position.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2010

	Attributable to owners of the Company											
	Share capital (Unaudited and restated) RMB'000	Share premium (Unaudited and restated) RMB'000	Statutory reserve (Unaudited and restated) RMB'000	Merger reserve (Unaudited and restated) RMB'000	Capital reserve (Unaudited and restated) RMB'000	Available-for-sale investment revaluation reserve (Unaudited and restated) RMB'000	Assets revaluation reserve (Unaudited and restated) RMB'000	Retained profits (Unaudited and restated) RMB'000	Proposed final dividend (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000	Non-controlling interests (Unaudited and restated) RMB'000	Total equity (Unaudited and restated) RMB'000
At 1 January 2010												
As previously reported	3,873,333	7,074,287	1,115	1,452,992	(589,077)	2,335	1,248	4,561,328	271,133	16,648,694	1,869,849	18,518,543
Business combination under common control and change of accounting policy	–	–	–	7,336	810,899	–	–	36,996	–	855,231	(287)	854,944
As restated	3,873,333	7,074,287	1,115	1,460,328	221,822	2,335	1,248	4,598,324	271,133	17,503,925	1,869,562	19,373,487
Profit for the period	–	–	–	–	–	–	–	1,061,734	–	1,061,734	110,090	1,171,824
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(1,186)	–	–	–	(1,186)	–	(1,186)
Revaluation on property, net of tax	–	–	–	–	–	–	71,824	–	–	71,824	–	71,824
Total comprehensive income for the period	–	–	–	–	–	(1,186)	71,824	1,061,734	–	1,132,372	110,090	1,242,462
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	146,560	146,560
Acquisitions of non-controlling interests	–	–	–	–	(1,114)	–	–	–	–	(1,114)	(13,420)	(14,534)
Acquisitions of subsidiaries (note 16)	–	–	–	–	–	–	–	–	–	–	34,173	34,173
Business combination under common control	–	–	–	(476,258)	(1,271,732)	–	–	–	–	(1,747,990)	–	(1,747,990)
Dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	(31,347)	(31,347)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(271,133)	(271,133)	–	(271,133)
At 30 June 2010 (restated)	3,873,333	7,074,287	1,115	984,070	(1,051,024)	1,149	73,072	5,660,058	–	16,616,060	2,115,618	18,731,678

Unaudited Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(1,984,982)**	(4,379,983)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(1,448,931)**	(3,050,249)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**3,372,009**	5,151,531
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(61,904)**	(2,278,701)
Cash and cash equivalents at beginning of period	**5,031,284**	6,269,585
Effects of foreign exchange rate changes, net	**(692)**	2,480
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,968,688**	3,993,364
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**4,959,607**	3,974,739
Non pledged time deposits with original maturity of less than three months when acquired	**9,081**	18,625
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	**4,968,688**	3,993,364

Notes to Unaudited Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

The Company and its subsidiaries are principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment, and provision of property management services.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2010, except for in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that are adopted for the first time for the current period's financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs (2010)	Amendments to a number of HKFRSs issued in May 2010

Notes to Unaudited Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

Accounting policies *(continued)*

Other than as further described below, the adoption of the new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

Improvements to HKFRSs (2010) allows a first-time adopter of HKFRSs to use an event-driven fair value as deemed cost of its certain assets, even if the event occurs after the date of transition, but before the first HKFRS financial statements are issued. Entities that adopted HKFRSs in previous periods are permitted to apply this amendment retrospectively in the first annual period after the amendment is effective. With effect from 1 January 2011, the Group has applied this amendment retrospectively, and the revalued amount of the items of property, plant and equipment and completed properties held for sale, which are revalued at the date of the incorporation of the Company in 2005, has been recognised as their deemed cost in the interim condensed consolidated financial statements. These items of property, plant and equipment and completed properties held for sale were previously carried at historical cost. The above change in accounting policy was made with a view to aligning the accounting policies adopted in the financial statements of the Group prepared under HKFRSs and the Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

By retrospective applying this amendment, the balances of property, plant and equipment and completed properties held for sale as at 31 December 2010 are restated to reflect the revalued amount and any subsequent effect of depreciation and amortization with an increase in their carry amount and net assets of the Group as at 31 December 2010 of RMB67,164,000. The effect on the consolidated income statement for the current period was to increase costs and expenses of approximately RMB2,635,000 (six months ended 30 June 2010: RMB3,432,000).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

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

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

For the six months ended 30 June 2011

	Cement (Unaudited) RMB'000	Modern building materials (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Property investment and management (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:					
External customers	6,128,889	2,283,727	3,508,187	665,705	12,586,508
Intersegment	13,507	191,426	201,706	12,631	419,270
Total revenue	6,142,396	2,475,153	3,709,893	678,336	13,005,778
Reconciliation:					
Elimination of intersegment sales					(419,270)
Revenue					12,586,508
Segment results	1,228,615	137,797	1,100,591	611,823	3,078,826
Reconciliation:					
Elimination of intersegment results					(131,965)
Interest income					22,162
Corporate and unallocated expenses, net					(88,459)
Finance costs					(349,162)
Profit before tax					2,531,402

Notes to Unaudited Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2010

	Cement (Unaudited and restated) RMB'000	Modern building materials (Unaudited and restated) RMB'000	Property development (Unaudited and restated) RMB'000	Property investment and management (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000
Segment revenue:					
External customers	4,152,523	1,893,960	2,288,519	517,565	8,852,567
Intersegment	3,154	74,670	–	8,818	86,642
Total revenue	4,155,677	1,968,630	2,288,519	526,383	8,939,209
Reconciliation:					
Elimination of intersegment sales					(86,642)
Revenue					8,852,567
Segment results	634,000	107,815	557,918	617,987	1,917,720
Reconciliation:					
Elimination of intersegment results					–
Interest income					24,127
Corporate and unallocated expenses, net					(34,423)
Finance costs					(175,405)
Profit before tax					1,732,019

Notes to Unaudited Interim Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Revenue		
Sale of goods	**7,871,109**	5,485,657
Sale of properties	**3,519,195**	2,269,947
Gross rental income from investment properties	**310,284**	223,738
Property management fees	**198,892**	155,786
Rendering of services	**368,911**	395,764
Income from processing industrial waste	**106,076**	93,346
Hotel operations	**120,552**	98,248
Others	**91,489**	130,081
	12,586,508	8,852,567
Other income and gains		
Gross rental income from lease of plant and machinery	**96,321**	77,298
Gain on disposal of items of property, plant and equipment	**7,047**	23,774
Gain on disposal of investment properties	**–**	91,026
Gain on disposal of a jointly-controlled entity	**–**	44,038
Bank interest income	**22,162**	24,127
Interest income received from a jointly-controlled entity	**1,295**	67
Relocation compensation	**2,055**	13,549
Government grants		
– Release of deferred income	**28,926**	18,515
– Value-added tax refund	**251,388**	272,964
Service fee income	**26,025**	25,311
Others	**76,262**	79,937
	511,481	670,606

Notes to Unaudited Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Cost of inventories sold	**8,170,669**	6,057,065
Cost of services provided	**941,985**	809,941
Depreciation	**483,555**	363,917
Amortisation of land use rights	**31,314**	23,337
Amortisation of other intangible assets*	**2,010**	1,411
Amortisation of mining rights	**6,165**	3,976
Impairment of trade receivables, net**	**17,400**	31,578
Gain on disposal of items of property, plant and equipment, net	**(4,704)**	(9,088)

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

** The impairment of trade receivables is included in "Other expenses" on the face of the unaudited interim condensed consolidated income statement.

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Interest on bank loans	**409,946**	285,433
Interest on corporate bonds	**120,550**	44,165
Less: Interest capitalised	**(181,334)**	(154,193)
	349,162	175,405

Notes to Unaudited Interim Condensed Consolidated Financial Statements

7. INCOME TAX

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Current		
PRC corporate income tax	**541,367**	288,090
PRC land appreciation tax	**203,780**	168,174
	745,147	456,264
Deferred	**85,241**	103,931
Total tax charge for the period	**830,388**	560,195

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2010: Nil).

PRC corporate income tax

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

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures according to the relevant tax regulations.

8. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

Notes to Unaudited Interim Condensed Consolidated Financial Statements

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**1,635,824**	1,061,734

	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**4,149,215,565**	3,873,332,500

No adjustment has been made to the basic earnings per share amounts presented for the six months period ended 30 June 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment at a total cost of RMB993,175,000 (six months ended 30 June 2010: RMB3,028,372,000 (restated)), excluding property, plant and equipment acquired through a business combination (see note 16). Items of property, plant and equipment with a net book value of RMB30,414,000 was disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB126,142,000 (restated)).

As at 30 June 2011, certain property, plant and equipment of the Group with net carrying amount of approximately RMB130,867,000 (31 December 2010: RMB275,403,000 (restated)) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2011, the Group is in the process of applying for or changing registration of the title certificates for certain of their buildings.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

11. TRADE AND BILLS RECEIVABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Trade receivables	**4,395,430**	2,991,832
Bills receivable	**785,936**	627,001
Less: Impairment	**(386,409)**	(365,312)
	4,794,957	3,253,521

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

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

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Within 6 months	**2,871,244**	1,599,211
7 to 12 months	**831,017**	731,615
1 to 2 years	**250,331**	219,044
2 to 3 years	**22,450**	30,373
Over 3 years	**33,979**	46,277
	4,009,021	2,626,520

Notes to Unaudited Interim Condensed Consolidated Financial Statements

12. TRADE AND BILLS PAYABLES

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Trade payables	**4,503,407**	4,094,175
Bills payable	**180,476**	325,083
	4,683,883	4,419,258

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

An aged analysis of the trade payables of the Group as at the end of the reporting period is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Within 3 months	**1,463,683**	2,146,321
4 to 6 months	**1,506,493**	490,539
7 to 12 months	**442,869**	577,635
1 to 2 years	**909,247**	661,450
2 to 3 years	**54,874**	105,164
Over 3 years	**126,241**	113,066
	4,503,407	4,094,175

13. INTEREST-BEARING BANK LOANS

As at 30 June 2011, the bank borrowings bear interest at rates ranging from 4.50% to 7.56% per annum (31 December 2010: 3.59% to 7.56% per annum).

During the reporting period, the Group obtained new bank loans of approximately RMB9,453,110,000 (six months ended 30 June 2010: RMB9,196,762,000 (restated)) to finance the Group's operation.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

14. SHARE CAPITAL

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Registered, issued and fully paid:		
Unlisted domestic and foreign shares of RMB1.00 each	–	2,703,950
H shares of RMB1.00 each	**1,169,383**	1,169,383
A shares of RMB1.00 each (note)	**3,114,354**	–
	4,283,737	3,873,333

A summary of the transactions during the period is as follows:

	Number of shares in issue '000	**Issued capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 1 January 2011	3,873,333	3,873,333	7,074,287	10,947,620
Issue of A shares (note)	410,404	410,404	3,225,072	3,635,476
At 30 June 2011	4,283,737	4,283,737	10,299,359	14,583,096

Note:

For the purpose of merging Hebei Taihang Cement Co., Ltd. ("Taihang Cement") with the Group, the Company issued 410,404,560 A shares ("A Shares") at RMB9 per A Share of the Company in exchange for shares of Taihang Cement held by non-controlling shareholders of Taihang Cement at an exchange ratio of 1.2 A Shares for 1 Taihang Cement share. The shares of Taihang Cement were delisted from the Shanghai Stock Exchange on 18 February 2011 and the A Shares of the Company are listed on the Shanghai Stock Exchange on 1 March 2011. In connection with the issuance of the A Shares by the Company, the existing 2,365,470,065 domestic shares and 338,480,000 unlisted foreign shares of the Company were converted into the A Shares and traded at the Shanghai Stock Exchange on the same conditions in all respects as those of the A Shares issued in exchange for Taihang Cement shares, save for the statutory lock-up restrictions. The A Shares held by the Parent of 1,844,852,426 shares are subject to a lock-up period of 36 months and the A Shares converted from the other domestic shares and unlisted foreign shares of 950,302,199 shares are subject to a lock-up period of 12 months.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. BUSINESS COMBINATION UNDER COMMON CONTROL

Pursuant to the acquisition agreements signed with the Parent in May 2010, the Group acquired 67.5% equity interest in Crane (Beijing) Building Material Co., Ltd. ("Crane"), 100% equity interest in Beijing Yuandong Jiemei Cleaning Services Company Limited ("Yuandong Jiemei") and 100% equity interest in BBMG Hongye Ecological Science and Technology Co., Ltd. ("Hongye") from the Parent at cash considerations of approximately RMB2,563,400, RMB556,900 and RMB852,992,000, respectively. Crane is engaged in sales of building materials while Yuandong Jiemei and Hongye are engaged in property management.

Since the Group and the above acquired subsidiaries are all under the common control of the Parent and that control is not transitory, the above transfers of equity interests from the Parent to the Group are considered as common control combinations.

The Group has applied merger accounting as prescribed in Accounting Guidance 5 issued by HKICPA to account for the business combination under common control as if the acquisitions had been occurred and these acquired subsidiaries had been combined from the beginning of the earliest financial period of the interim condensed consolidated financial statements presented or the date when they were firstly under the common control, whichever is the shorter period.

The net assets of the Group and these acquired subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of these acquired subsidiaries' identifiable assets, liabilities and contingent liabilities over costs of acquisitions at the time of the business combinations under common control.

The comparative amounts in the unaudited interim condensed consolidated financial statements have been restated and presented as if the entities had been combined at the beginning of the comparative period or when they first came under common control, whichever is later.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The reconciliation of the effect arising from the common control combination on the unaudited interim condensed consolidated statements of financial position as at 31 December 2010 is as follows:

As at 31 December 2010

	The Group excluding the acquired subsidiaries under common control (As previously reported) (Audited) RMB'000	The acquired subsidiaries under common control (Unaudited) RMB'000	Adjustments (Unaudited) RMB'000	The Group (as restated) (Unaudited) RMB'000
Current assets	33,262,478	39,596	38,064	33,340,138
Non-current assets	27,784,017	957,097	47,666	28,788,780
Current liabilities	(27,765,175)	(50,615)	(26,695)	(27,842,485)
Non-current liabilities	(15,225,036)	(122,044)	8,129	(15,338,951)
Net assets	18,056,284	824,034	67,164	18,947,482
Equity attributable to owners of the Company	16,174,238	822,811	68,667	17,065,716
Non-controlling interests	1,882,046	1,223	(1,503)	1,881,766
Equity	18,056,284	824,034	67,164	18,947,482

The above adjustments refer to impact of change of accounting policy as explained in note 2 to the unaudited interim condensed consolidated financial statements and elimination of intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions among acquired subsidiaries and the Group.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The Group has another batch of acquisition of interests in subsidiaries in the second half of year 2010. Pursuant to the acquisition agreements signed with the Parent in May 2010, the Company acquired 100% equity interest in Tianjin Jinzhu Concrete Co., Ltd ("Jinzhu Concrete"), 100% equity interest in Beijing Eco-island Science and Technology Co., Ltd, 100% equity interest in Beijing BBMG Doudian Technology Enterprise Management Co., Ltd, 100% equity interest in Beijing Yanshan Cement Co., Ltd, 100% equity interest in Beijing Longshuncheng Chinese Style Furniture Plant Co., Ltd, 100% equity interest in Beijing Architectural Decoration, Design and Engineering Co., Ltd, 100% equity interest in Beijing BBMG Badaling Hot Spring Resort Co., Ltd, 100% equity interest in Beijing Zhongweisenhai Property Management Co., Ltd. 100% equity interest in BBMG Dacheng Property Management Co., Ltd, 100% equity interest in Beijing Ganlujiayuan Property Management Co., Ltd, 100% equity interest in BBMG Hong Kong Co., Ltd. and 100% equity interest in BBMG Human Resources Management Co., Ltd. from the Parent. The transactions were completed in the second half of 2010. As both the Group and these acquired subsidiaries are all under the common control of the Parent before and after the acquisitions, these transactions were accounted for as common control business combination, using merger accounting for all period presented herein as if merger had been consummated since the inception of common control.

The condensed income statement, the condensed statement of comprehensive income, the consolidated statement of changes in equity and the condensed statement of cash flow for the six months ended 30 June 2010 have been restated to reflect common control business combinations occurred during both the six months ended 30 June 2011 and the second half of year 2010. As a consequence, total revenue, profit, and the operating cash flow for the six months ended 30 June 2010 have been increased by approximately RMB1,085,378,000, RMB55,568,000 and RMB300,660,000 respectively.

16. ACQUISITION OF SUBSIDIARIES

Acquisition of subsidiaries during six months ended 30 June 2011

In January 2011, the Group acquired from third parties 95.7%, 75% and 60% equity interests in Beijing Chinefarge Cement Co., Ltd ("Chinefarge"), Beijing Shunfa Lafarge Cement Co., Ltd. ("Shunfa Lafarge") and Beijing Great Faram Wall Decoration Materials Co., Ltd ("Faram") for cash considerations of RMB464,741,000, RMB110,681,000 and zero, respectively. Chinefarge and Shunfa Lafarge are mainly engaged in manufacturing and sale of cement, while Faram is mainly engaged in manufacturing and sale of building materials.

In May 2011, the Group acquired from third party 51% equity interests of Hetian Yuhe Sand Stone Company Limited ("Hetian") for a cash consideration of RMB14,282,000. Hetian is mainly engaged in manufacturing and sale of concrete.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

16. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during six months ended 30 June 2011 *(continued)*

The aggregate fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the respective acquisition dates were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	296,658
Land use rights	149,672
Other intangible assets	6,918
Mining rights	246,722
Inventories	53,304
Trade and bills receivables	48,405
Prepayments, deposits and other receivables	7,548
Cash and cash equivalents	103,858
Trade and bills payables	(52,088)
Taxes payable	732
Other payables and accruals	(68,623)
Interest-bearing bank loans	(43,523)
Deferred tax liabilities	(82,934)
	666,649
Non-controlling interests	(82,039)
Other expenses	5,094
	589,704
Satisfied by:	
Cash and cash equivalents	589,704

The measurement basis of non-controlling interests is the non-controlling interests' proportionate shares of the fair value of the acquirees' net identifiable assets.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB48,405,000 and RMB7,548,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB49,020,000 and RMB7,809,000, respectively, of which trade receivables of RMB615,000 and other receivables of RMB261,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB496,000 for the acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

16. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during six months ended 30 June 2011 *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration	(589,704)
Cash and bank balances acquired	103,858
Transaction costs of the acquisition	(496)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(486,342)

Since the acquisitions, the newly acquired subsidiaries made contribution of RMB211,240,000 to the Group's turnover and accounted for profit before tax of RMB34,162,000 to the consolidated profit before tax for the six months ended 30 June 2011.

Had the combinations taken place on 1 January 2011, consolidated revenue and consolidated profit before tax of the Group for the six months ended 30 June 2011 would have been RMB12,590,194,000 and RMB2,529,186,000, respectively.

Acquisition of subsidiaries during six months ended 30 June 2010

The Group acquired 17.33% equity interests in Tianjin BBMG Concrete Co., Ltd. ("TJ Concrete") before 2010. In January 2010, the Group further acquired 42.43% equity interests in TJ Concrete through injecting Jinzhu Concrete's other concrete businesses in Tianjin into TJ Concrete. The fair value of the injected concrete businesses as a consideration is approximately RMB13,171,000. TJ Concrete is mainly engaged in manufacturing and sale of concrete.

In January 2010 and February 2010, the Group acquired 80% and 91% equity interests in Shijiazhuang Xucheng Concrete Co., Ltd. ("Xucheng") and Handan Shexian BBMG Cement Co., Ltd. ("Shexian") for cash considerations of RMB24,047,000 and RMB181,679,000, respectively. Xucheng is mainly engaged in manufacturing and sale of concrete and Shexian is mainly engaged in manufacturing and sale of cement.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

16. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during six months ended 30 June 2010 *(continued)*

The aggregate fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the respective acquisition date were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	360,919
Land use rights	98,362
Investments in associates	22,374
Deferred tax assets	6,253
Inventories	21,277
Trade and bills receivables	134,361
Cash and cash equivalents	18,648
Prepayments, deposits and other receivables	74,870
Trade and bills payables	(120,654)
Other payables and accruals	(309,711)
Interest-bearing bank loans	(78,700)
Taxes payable	3,755
Deferred tax liabilities	(24,733)
	207,021
Non-controlling interests	(34,173)
Goodwill on acquisition	56,276
	229,124

	RMB'000
Satisfied by:	
Equity interests held before the combination	10,227
Cash and cash equivalents	205,726
Fair value of concrete business injected by Jinzhu Concrete	13,171
	229,124

Notes to Unaudited Interim Condensed Consolidated Financial Statements

16. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during six months ended 30 June 2010 *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration	(205,726)
Cash and bank balances acquired	18,648
Transaction costs of the acquisition	(700)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(187,778)

Since the acquisitions, the newly acquired subsidiaries made contribution of RMB618,256,000 to the Group's turnover and accounted for profit before tax of RMB39,771,000 to the consolidated profit before tax for the six months ended 30 June 2010.

Had the combinations taken place on 1 January 2010, consolidated revenue and consolidated profit before tax of the Group for the six months ended 30 June 2010 would have been RMB8,874,870,000 and RMB1,744,925,000 respectively.

17. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for as at the end of the reporting period:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**3,169,180**	3,398,254

Note:

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

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

18. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**90,382**	220,369
Properties being developed by the Group for sale	**3,399,509**	4,513,576
Acquisition of subsidiaries	**–**	575,422
	3,489,891	5,309,367

19. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

The Group had the following material transactions with related parties during the period:

	Six months ended	
	30 June 2011 (Unaudited) RMB'000	30 June 2010 (Unaudited and restated) RMB'000
Sale of goods to the Parent and its subsidiaries ("Parent Group")	**7,414**	48,859
Sale of goods to a jointly-controlled entity	**–**	5,357
Sale of goods to associates	**26,317**	–
Purchase of goods from the Parent Group	**17,385**	127,301
Purchase of goods from a jointly-controlled entity	**2,289**	7,030
Purchase of goods from an associate	**2,824**	–
Render of services to the Parent	**4,071**	23,538
Render of services to associates	**3,580**	–
Purchase of services from the Parent Group	**730**	1,112
Rental income from a jointly-controlled entity	**8,210**	312
Rental income from associates	**6,200**	2,703
Rental expense paid to the Parent Group	**3,575**	750
Interest income from jointly-controlled entities	**1,295**	104
Interest expense paid to a jointly-controlled entity	**17,217**	–
Compensation fee from the Parent Group	**–**	12,455
Relocation fee paid to the Parent Group	**3,125**	328,052

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Unaudited and restated) RMB'000
Trade receivables due from		
– The Parent Group	87,036	42,416
– Jointly-controlled entities	3,627	1,563
Other receivables due from		
– The Parent Group	–	382,382
– Jointly-controlled entities	97,034	69,621
– Associates	7,209	12,605
Trade payables due to		
– The Parent Group	5,344	26,116
– A jointly-controlled entity	3,083	2,077
– Associates	1,668	13
Other payables due to		
– The Parent Group	23,650	–
– Jointly-controlled entities	771,740	559,582
– Associates	169	16

Except for the amounts due to a jointly-controlled entity of RMB722,895,000 (31 December 2010: RMB510,029,000 (restated)) and the amounts due from a jointly-controlled entity of RMB56,531,000 (31 December 2010: RMB30,380,000 (restated)), which are interest-bearing, the above balances are non-interest-bearing.

(c) Mortgaged asset in favor of the Parent

As at 30 June 2011, a property of the Group with net carrying amount of approximately RMB630,356,000 (31 December 2010: RMB630,247,000 (restated)) was mortgaged to the Bank of China as security for provision of guarantee to a corporate debenture issued by the Parent.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

(d) Compensation of key management personnel of the Group

	Six months ended 30 June 2011 (Unaudited) RMB'000	30 June 2010 (Unaudited and restated) RMB'000
Short-term employee benefits	**1,415**	1,196
Pension scheme contribution	**62**	60
Total compensation paid to key management personnel	**1,477**	1,256

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

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

20. COMPARATIVE AMOUNTS

As further explained in note 2 and note 15 to the unaudited interim condensed consolidated financial statements, due to the change of accounting policy and the business combination under common control during the period, comparative amounts in the interim condensed consolidated financial statements have been restated.