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 Annual Report

Cement

Property Development

Property Investment & Management

Modern Building Materials

* for identification purposes only

Contents

FINANCIAL HIGHLIGHTS

	2011	2010 (Restated)	Change	
Revenue (RMB'000)	**27,410,640**	22,055,281	5,355,359	24.3%
Gross profit (RMB'000)	**6,931,184**	5,116,193	1,814,991	35.5%
Gross profit margin (%)	**25.3**	23.2	increase of 2.1 percentage points	
Profit attributable to owners of the Company (RMB'000)	**3,428,645**	2,755,658	672,987	24.4%
Core net profit attributable to owners of the Company (excluding the after tax net fair value gains on investment property) (RMB'000)	**2,754,980**	2,160,403	594,577	27.5%
Basic EPS (RMB)	**0.81**	0.71	0.10	14.1%
Final dividend per share (RMB)	**0.072**	0.070	0.002	2.9%
Cash and cash equivalents (including restricted cash) (RMB'000)	**7,918,479**	5,287,123	2,631,356	49.8%
Total assets (RMB'000)	**76,756,993**	62,128,918	14,628,075	23.5%
Net assets (RMB'000)	**21,715,616**	18,947,482	2,768,134	14.6%
Net profit margin (%)	**12.5**	12.5		no change
Return on total assets (%)	**4.5**	4.4	increase of 0.1 percentage points	
Total debt to equity ratio (%)	**71.7**	69.5	increase of 2.2 percentage points	
Net assets per share (RMB)	**5.07**	4.89	0.18	3.7%

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, the PRC
Principal place of business in Hong Kong	Room 904, Wah Ying Cheong Central Building 158-164 Queen's Road Central, Central, Hong Kong
Website of the Company	www.bbmg.com.cn
Legal representative	Jiang Weiping
The Board of Directors	
Executive Directors	Jiang Weiping *(Chairman)* Jiang Deyi *(President)* Shi Xijun Wang Hongjun Deng Guangjun Li Changli (resigned on 9 January 2012)
Non-executive Director	Li Xinhua (appointed on 24 May 2011) Zhou Yuxian (resigned on 30 March 2011)
Independent non-executive Directors	Hu Zhaoguang Xu Yongmo Zhang Chengfu Yip Wai Ming

* *for identification purposes only*

The Supervisory Board	
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 24 May 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)* Jiang Deyi *(Vice Chairman)* Wang Hongjun Deng Guangjun Hu Zhaoguang Zhang Chengfu Xu Yongmo Li Changli (resigned on 9 January 2012)
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
Board lot	100 shares
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 (the "Stock Exchange")
Stock name	BBMG
Board lot	500 shares
Stock code	02009.HK
Principal bankers	Agricultural Bank of China Limited Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd. Bank of Beijing Co., Ltd. China Construction Bank Corporation
Independent auditors	Ernst & Young Certified Public Accountants *As international auditor* Beijing Xinghua Certified Public Accountants *As domestic auditor*
Legal advisers	Paul Hastings *As to Hong Kong law* Guantao Law Firm *As to PRC law*

CORPORATE PROFILE

BBMG Corporation

BBMG Corporation (hereinafter referred to as "BBMG" or the "Company") was established in December 2005. Fully leveraging on its unique resources, the Company and its subsidiaries (the "Group") is principally engaged in the manufacture of building materials supplemented by property development and property investment and management, forging an unique, one-stop, vertical industrial chain structure among major building materials manufacturers in the PRC.

1. Cement Segment

BBMG is the largest cement provider in Beijing, Tianjin and Hebei province, the largest cement manufacturer in Beijing as well as one of the 12 major cement conglomerate or groups supported by the PRC government. Its building materials were widely used in key construction projects and key infrastructure constructions of the PRC. Utilizing its technological edge in cement industry, the Company took one step further in the development of environmental protection industry such as recycling and harmless treatment of industrial wastes, sludges from sewage treatment plants, hazard wastes and fly ashes from garbage incineration, achieving a harmonious development of benefits to economy, society and ecology.

2. Modern Building Materials Segment

BBMG is one of the largest modern, green and energy saving building materials manufacturers in the PRC and one of the leaders in building materials industry in Pan Bohai Economic Rim. Its business covers four major segments, including furniture and woods, decorative and fitting materials, wall body and insulation materials and refractory materials. The Company has gradually established a unique development mode featuring "park-based production, high-end products, industrial scale merit, integrated sales and refined management".

3. Property Development Segment

BBMG is one of the leading property developers in terms of comprehensive strength and one of the largest affordable housing developer in Beijing. With an annual GFA commencing and resuming development of exceeding 2 million sq.m. and an accumulated developed area of over 4 million sq.m. for affordable housing, the Group became a Beijing-based property developer with expansion into other major cities such as Hangzhou, Tianjin, Chongqing, Chengdu, Haikou, Tangshan and Hohhot.

4. Property Investment and Management Segment

BBMG is the largest investor and manager of investment properties in Beijing holding over 700,000 sq.m. of real estates such as high-end office units and managing over 6 million sq.m. of properties (including residential communities and commercial units at low floors). The Company is leading the industry in Beijing and even the PRC for years in areas including specialized techniques, brand awareness, occupancy rate and revenue.

The H shares of BBMG was successfully listed on the Main Board of the Stock Exchange on 29 July 2009 and the Company was successfully listed on the domestic A share market of the Shanghai Stock Exchange on 1 March 2011. The dual listing in both markets will lay a more solid and concrete foundation and create a broader platform for the future development of BBMG.

Positioned in a new historical starting line with numerous opportunities and also challenges, the management of BBMG are determined to build on its century of achievements. In the epic pursuit of forging a top-level public listed company with expanding international presence, the Company will continuously create new values for the shareholders and help BBMG scale new heights.

CORPORATE STRUCTURE

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BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Jiang Weiping, born in October 1954, has been the chairman of the board of Directors (the "Board") of the Company since 6 August 2008 and an executive Director of the Company since 20 September 2007. He was the general manager of the Company from September 2007 to April 2009. He is primarily responsible for leading the Board and presiding over the administration of the Company. He joined the Company in March 2006 as a deputy general manager. Prior to joining the Company, Mr. Jiang served with BBMG Group Company Limited (the "Parent") from August 1979 with various senior positions. He served as the deputy general manager of the Parent, including its predecessors Beijing Building Material Group Corporation and Beijing Building Material Group Co., Ltd., from March 1994 to May 2007 and as the general manager of the Parent from May 2007 to June 2008. In May 2008, Mr. Jiang took up his current position as the Parent's chairman and secretary of the communist party committee of the Parent. Mr. Jiang has accumulated more than 30 years of experience in the building materials industry in the PRC. He was the vice-mayor of Tongliao City, Inner Mongolia, from June 2002 to June 2003. Mr. Jiang graduated in 1998 from Beijing Administrative College with a master's degree in national economic management and is a senior economist and a senior political officer.

Jiang Deyi, born in February 1964, has been an executive Director and the president of the Company since 28 April 2009. He was a deputy general manager of the Company from March 2006 to April 2009. He is primarily responsible for the overall management of the cement, concrete and resorts businesses of the Company and the formulation of development strategies for these business sectors. Mr. Jiang acted as a general manager assistant of the Parent from April 2004 to January 2008. Mr. Jiang has more than 25 years of experience in the cement industry and has served as the general manager of Beijing Liulihe Cement Co., Ltd., the chairman of Hebei Taihang Cement Co., Ltd. ("Taihang Cement") and Luquan Dongfang Dingxin Cement Co., Ltd.. Mr. Jiang graduated from Beijing University of Science and Technology with a Doctorate in Engineering in June 2009. He is a senior engineer.

Shi Xijun, born in September 1966, has been an executive Director of the Company since 10 March 2006. He was also the Board secretary from March 2006 to April 2009. He is primarily responsible for the day to day work of the Board and the administration of the Group's human resources department. Mr. Shi first joined the Parent in August 1995 and, from September 2000 to August 2003, served as a manager of its production operation department. Mr. Shi has also served as a director of the organizing department, a member of the communist party committee and the secretary of the discipline inspection committee for the Parent since August 2003, July 2005 and November 2008, respectively. Mr. Shi has accumulated more than 16 years of experience in the building materials industry. Mr. Shi graduated in 1995 from the China University of Mining and Technology with a master's degree in engineering. He is a senior economist.

Wang Hongjun, born in March 1969, has been an executive Director of the Company since 28 April 2009. He has also been the chief financial officer of the Company since September 2007, and is primarily responsible for the Company's accounting and auditing functions, financial management and capital operations. Mr. Wang served as the general accountant for the Parent from July 2007 to May 2009. Mr. Wang has more than 19 years of experience in the financial and accounting industry. Mr. Wang has served as a standing deputy manager, a manager of the finance and capital department and a deputy general accountant of the Parent since March 2002, and as the head of the finance and capital department of the Company since March 2006. Since May 2007, Mr. Wang has been a director of Taihang Cement. Mr. Wang graduated from Wuhan University of Technology in December 2008 with an MBA degree. He is a senior accountant and has obtained the qualifications for PRC Certified Public Accountants.

Deng Guangjun, born in April 1952, has been an executive Director of the Company since 30 March 2010. He also acts as a vice president of the Company. He is primarily responsible for overall management of feasibility studies and review of investment projects, general matters in relation to technology management and research and development. Mr. Deng served as the chief engineer of the Company from March 2006 to April 2009. Mr. Deng has more than 29 years of experience in the building materials industry. Mr. Deng has served with the Parent as a deputy chief engineer since February 2002, a manager of the science and technology department since September 2002 and a manager of strategy and development department since January 2005. Mr. Deng graduated in September 1977 from Wuhan Building Materials College (now known as Wuhan University of Technology), where he majored in products in the department of silicon industry.

Li Xinhua, born in July 1968, was appointed as a non-executive Director of the Company on 24 May 2011. Mr. Li is currently an executive director and president of the China National Materials Company Limited ("Sinoma"), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01893). Sinoma is the promoter of the Company and as at the date of this annual report a holder of 5.59% of the issued share capital of the Company. Mr. Li served as a vice president of Sinoma from July 2007 to October 2009. He was the vice chairman of the board of directors of Sinoma from December 2009 to May 2011 and has been serving as an executive Director since December 2009, and the president of Sinoma since January 2011. Mr. Li has been the chairman of the board of Sinoma Science & Technology Co., Ltd. ("Sinoma Science & Technology") (a subsidiary of Sinoma and an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 002080)), since May 2003, and served as the president of Sinoma Science & Technology from October 2009 to August 2010. He has also been serving as director of three listed companies, namely, Gansu Qilianshan Cement Group Co., Ltd. (a subsidiary of Sinoma and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600720)), Sinoma International Engineering Co., Ltd. (a subsidiary of Sinoma and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600970)) and Ningxia Building Materials Group Co., Limited (a subsidiary of Sinoma and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600449)), since June 2011, July 2011 and December 2011, respectively. Mr. Li has over 25 years of experience in the non-metal materials industry. Mr. Li first joined Beijing FRP Research and Design Institute (北京玻璃鋼研究設計院), currently a subsidiary of the controlling shareholder of Sinoma, in August 1985 and served various key positions, such as vice president and president. Mr. Li is a National Young and Middle Aged Expert with Important Contribution (國家有突出貢獻的中青年專家) and is entitled to a special government allowance provided by the State Council. Mr. Li currently serves as the vice president of China Building Materials Federation (中國建築材料聯合會), the vice president of Chinese Society for Composite Materials (中國複合材料學會), the president of China Industry Association for Composite Materials (中國複合材料工業協會), the vice chairman of Chinese Ceramic Society (中國硅酸鹽學會) and the vice chairman of China Building Material Industry Science and Technology Education Committee (國家建築材料科技教育委員會). Mr. Li graduated with a bachelor's degree in chemistry from Shandong Institute of Building Materials (山東建材學院) in July 1985. He is a professorate senior engineer.

Hu Zhaoguang, born in March 1939, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Hu has extensive experience in corporate management and has authored publications in academic journals. Mr. Hu has been the chairman of the audit committee and an independent non-executive director of Digital China Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00861), since August 2006 and September 2004, respectively. He currently serves as a president of the Research Institute of the Guo Jie Academy (國傑研究院) of China Senior Professor Association. Mr. Hu had also served as the chairman of the board of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00392), the chairman of the board of Beijing Holdings Limited, an independent non-executive director of China Overseas Land & Investment Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 00688), the vice-mayor of Beijing City, and the chief executive of Beijing Haidian District Government. Mr. Hu graduated from Tsinghua University in 1965.

Xu Yongmo, born in April 1956, has been an independent non-executive Director of the Company since 6 August 2008. Mr. Xu has extensive experience in the building materials industry. Mr. Xu has been appointed as an independent director of Sinoma Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 002080), since December 2004, an independent director of Huaxin Cement Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600801), since April 2009 and an independent non-executive director of China Resources Cement Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01313), since July 2010. Besides, he is currently the full-time vice president of China Building Material Council, the president of China Cement Products Industry Association, the president of China Building Block Association, and the vice president of China Cement Association. The duties of Mr. Xu at the China Cement Association are to provide advice and suggestions regarding the work of the China Cement Association and to attend important meetings of the same association. Mr. Xu graduated in 1997 from London South Bank University with a doctoral degree in philosophy majoring in civil engineering materials.

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

Yip Wai Ming, born in April 1965, has been an independent non-executive Director of the Company since 28 April 2009. Mr. Yip has over 20 years of experience in accounting and corporate finance in the United Kingdom, Hong Kong and China. Mr. Yip has also been an independent non-executive director of Ju Teng International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 03336) since 25 May 2006, an independent non-executive director of PAX Global Technology Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00327) since 1 December 2010, and an independent non-executive director of Far East Horizon Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 03360), since 11 March 2011. Mr. Yip served as the chief financial officer of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 01169) from 2004 to 2009 and was the deputy general manager of Yuzhou Properties Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01628) from 2009 to 2010. Mr. Yip graduated in 1987 from the University of Hong Kong with a bachelor degree in social sciences. He also holds a bachelor degree in laws from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants, respectively.

Supervisors

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

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

Zhang Jie, born on March 1970, has been a Supervisor of the Company since 6 August 2008. Mr. Zhang has been an executive director of New Horizon (Beijing) Capital Advisors Ltd. since 1 September 2006. Mr. Zhang served as a supervisor of Sichuan Meifeng Chemical Industry Co., Ltd., an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 000731) from 16 November 2006 to 11 January 2009. He has been appointed as a director of Sichuan Meifeng Chemical Industry Co., Ltd. since 12 January 2009. Mr. Zhang currently serves as a director of Shaanxi Xifeng Wine Stock Co., Ltd., and a supervisor of Wanda International Cinemas Co., Ltd.. He was also the general manager of the investment banking division of southwestern China under Huaxia Securities, a director of the merger and acquisition business department, a deputy general manager of Beijing Xuan Da Investment Co., Ltd., and an investment director of New Horizon Fund. He has obtained the qualifications for practicing laws in the PRC and holds a master's degree.

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

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

Ma Weixin, born in July 1973, has been a Supervisor of the Company since 29 June 2010. Mr. Ma successively served as finance manager and chief director of finance and investment management centre for Guangdong Zhujiang Real Estate Development Centre Co., Ltd. from July 1997 to November 2009. Mr. Ma has been appointed as chief director of finance and investment management centre of Hopeson Holdings Limited since November 2009. Mr. Ma graduated from Guangdong University of Business Studies in 1997 with a bachelor's degree in accounting.

Mr. Sheng Guihua, born in November 1950, was appointed as a Supervisor of the Company on 15 July 2011. Mr. Sheng graduated from Qiqihar Teachers College of Heilongjiang Province with a bachelor degree. Mr. Sheng is a senior political officer. Mr. Sheng has served as the secretary of party committee of the Company since November 2009. From September 1968 to June 1981, Mr. Sheng was a worker and then the secretary of the league branch of Heilongjiang Yichun Wumahe Cuiling Glass Factory. From June 1981 to November 1990, Mr. Sheng served as the secretary of the league branch of the general party committee of Heilongjiang Yichun Wumahe Qingshan Forest Farm, Wumahe Farm and Wumahe Vehicle Management Office as well as the head of propaganda department of the party committee of Wumahe District. From November 1990 to March 1995, Mr. Sheng worked for Beijing Light Building Material Company and Beijing Jingjing Building Material Company Limited as the head of propaganda department and general manager respectively. From March 1995 to January 2008, Mr. Sheng served as the deputy head of the discipline inspection and supervision office of the Parent. From January 2008 to October 2009, Mr. Sheng held the position of the secretary of the party committee of Beijing Woodworking Factory Co., Ltd.

Senior Management

Guo Yanming, born in January 1962, is a vice president of the Company. He is primarily responsible for the overall operation and development of the modern building materials segment and production safety control. Mr. Guo served as the Company's general economist from March 2006 to April 2009. Mr. Guo has accumulated more than 26 years of experience in corporate management and human resources in the building materials industry. Since June 2003, Mr. Guo had been a general manager assistant for the Parent. Mr. Guo graduated in July 1985 from Beijing Economics College (currently known as Capital University of Economics and Business), where he majored in industrial enterprise administration. He is a senior economist.

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

Wang Shizhong, born in October 1969, is a vice president of the Company, has served as chief of the property development segment of the Company and an assistant to the general manager of the Parent since February 2008. Mr. Wang has more than 17 years of extensive experience in property development, and served as a deputy manager of a property development company of the Parent from November 1996. He was the secretary of the communist party committee and a deputy manager of a property development company of the Parent from February 1999 to March 2006, and was appointed as an assistant to the general manager of the Company in March 2006. He is mainly responsible for the overall business development and strategic planning for the property operations of the Group. He graduated from Tsinghua University majoring in civil engineering. He is a senior engineer.

Li Weidong, born in June 1968, is a vice president of the Company, has served as chief of the real estate division of the Company and a manager of BBMG Property Management Co., Ltd. since February 2008. Mr. Li also serves as an assistant to the general manager of the Parent. He has accumulated more than 20 years of work experience in the cement and property sectors. He had worked for more than 15 years at Beijing Yanshan Cement Factory. He was a manager of Beijing Yanshan Cement Factory from November 2002 to March 2006. He was appointed as chief of the real estate division of the Company and a manager of Tengda Plaza (騰達大廈) in March 2006. He is mainly responsible for the overall business development, planning and management of investment properties of the Group. He graduated from School of Public Administration, Renmin University of China with a MPA degree, and was awarded a research master's degree and qualifications. He is an engineer and an economist.

Fu Qiutao, born in June 1970, is a vice president of the Company, has served as a manager of Xinbeishui, BBMG Mangrove Environmental and BBMG Fengshan Hot Spring Resort Co., Ltd., all of which are subsidiaries of the Company, since February 2008. Mr. Fu also serves as an assistant to the general manager of the Parent. Mr. Fu has worked in the building materials industry for over 18 years, and has worked in Beijing Cement Plant Co., Ltd. for more than 13 years. He was a manager of Beijing Cement Plant Co., Ltd. from December 2003 to July 2005. He was appointed as a manager of Beijing Xinbeishui Cement Co., Ltd. and BBMG Fengshan Hot Spring Resort Co., Ltd. in July 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from the Sichuan Institute of Building Materials majoring in mining. He is a senior economist. Mr. Fu graduated from Guanghua School of Management of Peking University with an MBA degree.

Wang Zhaojia, born in September 1963, is a vice president of the Company, has served as a president, the deputy secretary of the communist party committee and a director of Beijing Building Materials Research Institute, a subsidiary of the Company, from March 2006. Mr. Wang also serves as a deputy chief engineer of the Parent. He has worked in the building materials industry for more than 21 years. He served as a vice president of the Beijing Building Materials Research Institute from April 1994 and was promoted to president in September 2001. He was appointed as a deputy chief engineer of the Parent in January 2005. He is mainly responsible for the overall business development, planning and management of the cement and building materials operations of the Company. He graduated from Shanxi University majoring in inorganic chemistry. He is a master degree graduate and a professorate senior engineer.

Liu Wenyan, born in June 1967, is a vice president of the Company, has served as a manager and deputy secretary of Luquan Dongfang Dingxin Cement Co., Ltd. from March 2007. Mr. Liu has more than 21 years of extensive experience in the cement industry and served as a deputy manager of Beijing Liulihe Cement Co., Ltd. from February 2004 to March 2007. He is mainly responsible for the overall business development, planning and management of the cement operations of the Company. He graduated from the Materials Faculty of the Beijing University of Technology majoring in materials engineering. He is a master degree graduate and a senior engineer.

Jiang Weiping
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Group for year ended 31 December 2011 (the "Reporting Period"), and the satisfactory performance of the Group during the Reporting Period for your review.

Annual Results

For the year ended 31 December 2011, the sales revenue and the profit attributable to owners of the Company amounted to approximately RMB27,410.6 million and approximately RMB3,428.6 million respectively, representing an increase of 24.3% and 24.4% year-on-year respectively. The favourable growths were mainly attributable to (i) the release of a number of newly constructed and acquired cement capacity in the regions during the Reporting Period, which resulted in a significant increase in production and sales volume of the Company; and (ii) continuous expansions of the property development segment during the Reporting Period which has become a major source of profit for the Company, as driven by the accelerating development of affordable housing and the successful operations of commercial properties. Basic earnings per share attributable to owners of the Company was approximately RMB0.81 (2010: RMB0.71 per share (restated)).

Dividends

The Board has proposed to pay a final dividend of RMB0.072 per share for the year ended 31 December 2011 (2010: RMB0.070 per share). No interim dividend was recommended by the Board during the Reporting Period, and the total distribution of dividends for the year ended 31 December 2011 was RMB0.072 per share (2010: RMB0.070 per share).

Business Environment

Looking back on 2011, the world economy further slowed down its growth paces alongside the sluggish recovery of developed economies, despite the sound momentum of emerging economies and their further enhanced positions globally. Domestically, with the accelerating transformation of economic growth model and structural adjustment under the proactive fiscal policies and prudent monetary policies as well as effective macro economic control packages, the PRC government managed to curb the inflation and minimize the risks associated with asset bubbles, and steered the economy into a normalized growth track. According to the National Bureau of Statistics, China's GDP grew by 9.2% in 2011 as compared with that in 2010 and nationwide fixed asset investment rose by 23.8% year-on-year in 2011 to RMB30.1933 trillion. Property investment surged by 27.9% year-on-year in 2011 to RMB6.1740 trillion. The continuous economic growths and fixed asset investments contributed to the favorable business environment for the Company's four principal business segments during the Reporting Period.

Given the challenging global economy and complex domestic and international economic landscapes, the Board, abreast of the global socio-economic dynamics, made scientific decisions based on prudent judgments on rational strategic deployment, business structure optimization and efficient resource allocation to highlight strengths of the core business chain. The Group strengthened capital operations and resources consolidation, aggressively expanded the business in regional markets and enhanced integration of regional resources and internal and external strategic resource reserves, so as to raise management standard and operational efficiency, while maintaining a steady, fast and sound growth of operating results and a steady growth in its principal businesses. Meanwhile, by seizing favorable opportunities in the capital market, the Company successfully completed the merger of Taihang Cement and the listing on the A share market, opening a new page for leveraging on domestic and overseas capital markets for development.

Industry Development

During the Reporting Period, the Ministry of Industry and Information Technology promulgated the Development Plan for Cement Industry in the Twelfth Five-year Plan Period on 9 November 2011 in accordance with the Twelfth Five-year Plan for National Economy and Social Development and the Industrial Transformation and Upgrading Plan. The plan consists of six parts including existing status and development environment, guidelines, basic principles and main objectives, development priorities, key projects and supporting measures. It is designed to improve the development quality and efficiency and facilitate the transformation and upgrading of the cement industry by directing it to accelerate the transformation of development model through vigorously promoting energy conservation, mergers and reorganizations, elimination of obsolete capacity and technological progress in the Twelfth Five-year Plan period. According to the major targets set forth in the plan, by 2015, the industrial value addition of sizable enterprises should reach a compound annual growth rate of over 10%; 250 million tonnes of obsolete cement capacity should be eliminated; major pollutants should be discharged according to standards, and notable progress in collaborative treatment should be achieved with the collaborative treatment rate reaching 10%; the total comprehensive utilization volume of waste should increase by 20%; products of 42.5 grade and above should account for 50% or more in consumption; and the top 10 producers should represent 35% or more of total production.

In the meantime, the State Council issued the Comprehensive Work Proposal for Energy Conservation and Emission Reduction in the Twelfth Five-year Plan Period in 2011, and thus the urban sludge treatment was listed as one of the key national programmes for pollutant emission reduction in the Twelfth Five-year Plan period. The utilization of cement kilns is put forward as an assistance to mitigate the pressure on urban trash and sludge treatment and promote the cement industry evolving into a green functional industry.

The Company is confident that the long-term development policies for domestic cement industry set by the PRC government will present more opportunities for the Company's cement and building material businesses, which will allow the Company to further reinforce its "grand cross-shape" strategic layout (大十字戰略佈局) covering Beijing, Tianjin and Hebei, expedite the low-carbon and environmentally-friendly development model for its cement enterprises and uplift the position and dominance of its cement business in the PRC cement market.

The tight control policies on domestic real estate market, having been implemented in 2011, are expected to last in the near future. Accordingly, the real estate industry has stepped into a reshuffling and restructuring stage, characterized by increasing industry concentration, diluted and rationalized profitability and an overall competitive landscape of "the strong stronger and the weak weaker". Compared to the tight industrial restrictive policies on commodity housing, the PRC central government continued to advance the construction of affordable housing by increasing land supply and giving much greater support to development funds. With the annual construction task accomplished in advance in November 2011, the housing difficulty for moderate to lower income families was further lessened. The Company, being one of the property developers with the strongest comprehensive strengths in Beijing region and one of the largest developers of affordable housing in the PRC, will further secure its position in property development market under the national plan for commencing construction of approximately 7 million units of affordable housing in 2012. Capitalizing on the synergy of its property development segment with other business segments, the Group will be able to capture more market opportunities to give full play of its predominance in property development segment according to the national property policies.

Prospects

Given the instability and uncertainties in global recovery and based on an overview of international and domestic environment, the PRC is still in a crucial window of strategic opportunities with continuously positive economic fundamentals, and the keynote of "Advancing with stability" set by the PRC central government lays a solid foundation for industrial development. In 2012, the Company expects to benefit from new opportunities arising from the PRC central government's initiatives to promote real economy, accelerate construction of hydraulic structures and other infrastructures and support construction of affordable housing and urban shabby housing redevelopment.

The Group is committed to implementing the "moving out" development strategy (走出去發展戰略) to steadily extend business presence, enhancing the benchmarking management to improve operating efficiency, and pushing forward the restructuring to improve resource allocation. While steadfastly upgrading independent innovation capability to forge an innovation-driven development model, the Group will unremittingly uplift safety, environmental protection and quality awareness to ensure the scientific and stable operations of the Group for sustainable and harmonious development.

With respect to the cement and ready-mixed concrete segment, the Group will continuously press ahead with business upgrading and transformation of development model in accordance with the requirements in the Development Plan for Building Materials Industry in the Twelfth Five-year Plan Period and the Development Plan for Cement Industry in the Twelfth Five-year Plan Period issued by the PRC central government. The Group will expand operations in a prudent manner based on scientific justifications to consolidate the "grand cross-shape" strategic layout (大十字戰略佈局) according to the market demand and the principle of circular economy. While accelerating progress of cement projects under construction and enhancing management over newly acquired projects, the Group aims to build up a bigger and stronger business arm of ready-mixed concrete, fully capitalizing its dominance as a market leader and regional synergy in the Pan Bohai and its peripheral markets. Ongoing efforts will be taken in technological innovations to strengthen the first-mover advantage in the circular economy sector with an aim at green development, business transformation and sustainable growth. Furthermore, the Group will exercise strong control over strategic resource reserves to ensure sufficient supplies for production in the long run, so as to steadily improve its operating quality and profitability.

With respect to the modern building materials segment, the Group will continuously improve its core competitiveness and achieve sustainable business development on the basis of "park-based production, high-end products, industrial scale merit, integrated sales and refined management".

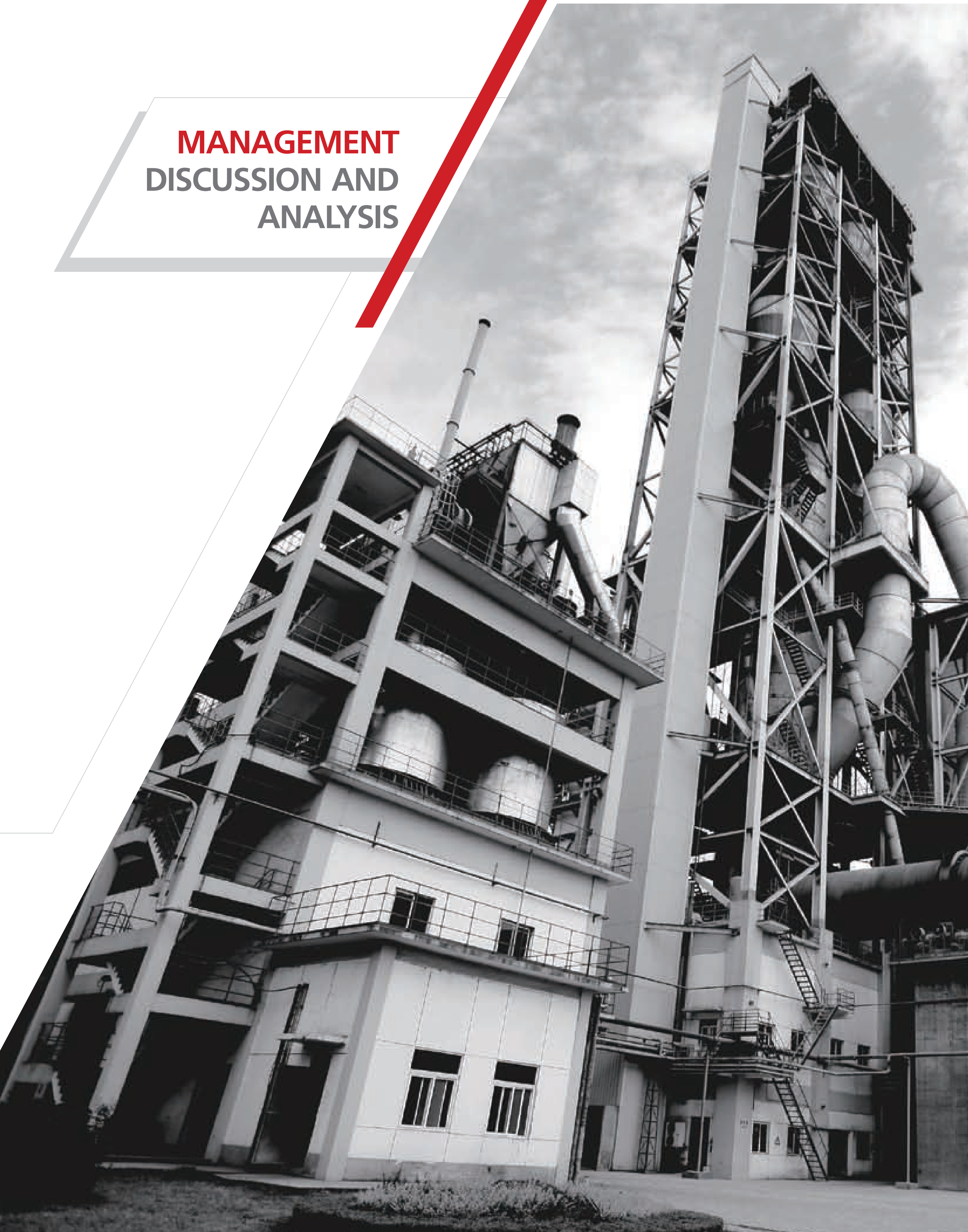
With respect to the property development segment, the Group will capture the opportunities implied in regulatory policies under its strategy of "accelerating cash flow" (好水快流) and adjusting "two structures" (兩個結構), realigning itself with industry trend and development to increase its contribution to construction of the affordable housing projects while steadily expanding commodity housing and commercial property projects. A series of measures will be taken to ensure development profit and improve comprehensive profitability, including project quality improvements, marketing concept innovations, shortening development cycles and enhancing its market influencing role. Strategic reserve of premium land resources will be expanded to ensure sustainable development. A priority will also be attached to costs control to ensure reasonable cost composition for effective dynamic monitoring and rational adjustments, with an aim at better development profitability. Tapping on the synergy among different industrial segments, the Group will extend active presence in the industrialization bases of the residential property industry in the PRC to realize commercial value of branded properties.

With respect to the property investment and management segment, the Company will carry forward asset integration, improve management mechanism on commercial properties operations and optimize customer structure on an ongoing basis, paving the way to overall improvements in asset operation capability and management quality. The advantages in management, talent and local markets will be brought into full play to forge the golden service quality of properties held on hand. Meanwhile, the Group will speed up new construction and outward expansion of commercial property projects to create new source of income growth and improve the sustainable development capability.

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 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
28 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS




金隅混凝土
03

Summary of Financial Information

	2011 **RMB'000**	2010 RMB'000 (Restated)	Change
Revenue	***27,410,640***	22,055,281	24.3%
Gross profit	***6,931,184***	5,116,193	35.5%
Gross profit margin	***25.3%***	23.2%	Increase of 2.1 percentage points
Profit attributable to owners of the Company	***3,428,645***	2,755,658	24.4%
Basic earnings per share attributable to ordinary equity holders of the Company	***RMB0.81***	RMB0.71	14.1%
Cash and cash equivalents (including restricted cash)	***7,918,479***	5,287,123	49.8%
Total assets	***76,756,993***	62,128,918	23.5%
Net assets	***21,715,616***	18,947,482	14.6%

Summary of Business Information

1. Cement Segment

	2011	2010	Change
Sales volume:			
Cement (in thousand tonnes)	***36,720***	28,450	29.1%
Concrete (in thousand cubic meters)	***7,410***	8,420	-12.0%

2. Modern Building Materials Segment

	2011	2010	Change
Sales volume:			
Refractory materials (in thousand tonnes)	***270***	230	17.4%

3. Property Development Segment

	2011	2010	Change
Booked GFA (in thousand sq.m.)	***836***	872	-4.1%
Presales (sales) GFA (in thousand sq.m.)	***973***	898	8.4%

4. Property Investment and Management Segment

	2011	2010	Change
Gross GFA of investment properties (in thousand sq.m.)	***742***	672	10.4%

Review of Macroeconomic Conditions and Industrial Development in 2011

1. Macroeconomic conditions In 2011, faced with complicated and volatile international conditions as well as new issues arising in the domestic economy, the PRC government adhered to proactive fiscal policies and prudent monetary policies while continuously enhancing and improving its macro regulatory measures, which resulted in sound economic development in line with the goals of macro regulations. In 2011, China's GDP grew at a slower pace of 9.2% year-on-year to RMB47.2 trillion. Fixed-asset investment, a major driver of economic growth, was RMB30.1933 trillion, up 23.8% year-on-year. Excluding the impact of inflation, the actual growth of fixed-asset investment was 16.1%.

2. The cement industry In 2011, while encouraging higher concentration of the cement industry and stepping up efforts on eliminating outdated capacity, the PRC government actively promoted energy saving and emission reduction as well as environmental protection industry development. During 2011, the cement industry operated and developed smoothly, maintaining continued growth in cement production while achieving substantial increase in efficiency. According to data released by the National Bureau of Statistics, cement production was 2.085 billion tonnes during 2011, up 11.7% year-on-year; clinker production was 1.307 billion tonnes, rising 11% year-on-year. The cement industry recorded sales revenue of RMB919.78 billion with a year-on-year growth of 36.9%; fixed-asset investment completed was RMB143.9 billion, down 8.3% year-on-year.

3. The property industry In 2011, the PRC government introduced a series of property tightening polices, aiming to boost a healthy development of the property market by increasing land supply for residential projects, strengthening affordable housing construction and curbing unreasonable demand. Data from the National Bureau of Statistics reveals that during 2011, sales area of commodity housing nationwide amounted to 1.099 billion sq.m. and turnover amounted to RMB5.91 trillion, representing year-on-year growth of 4.9% and 12.1% respectively, and reflected a further slowdown in growth as compared with 2010. Construction of 10.43 million units of affordable houses was started nationwide, and 4.32 million units were completed across the PRC, of which 230,000 units were started and 100,000 units were completed in Beijing.

Review of the Company's Business Operations During the Reporting Period

1. Analysis of the overall operating performance of the Company and its business segments

In 2011, faced with challenges in the global economic environment and complications in the economic conditions both at home and abroad, the Board worked closely together in the pursuit of development, overcame difficulties to make structural adjustments and achieved considerable accomplishments amidst profound changes in the economic environment, maintaining satisfactory and rapid growth driven by innovation and getting off to a good opening of the twelfth five-year-plan period.

During the Reporting Period, the Company recorded a fast earnings growth. Operating revenue amounted to RMB27,410.6 million, up 24.3% year-on-year; profits before tax grew 20.3% year-on-year to RMB5,119.8 million; net profit was up 20.1% year-on-year to RMB3,593.1 million while net profits attributable to owners of the Company was RMB3,428.6 million, up 24.4% year-on-year.

(1) Cement Segment

The Company steadily pushed forward the "grand cross-shape" strategy (大十字戰略) to optimise its industry layout and strengthened its control of resources. The Company successfully acquired projects such as the Shanxi Zuoquan Liaozhou Cement project, the Henan Jiaozuo Yanxin Cement project and the Hebei Fengda Cement project, fully launched the Henan Qinyang Jinyu project and Hebei Xuanhua Jinyu carbide slag-based clinker production project in cooperation with China Haohua Chemical (Group) Corporation. The Company further fine-tuned its control measures and effectively implemented its unified quality control and central purchasing system, substantially improved its economic operation quality and comprehensive efficiency.

The Company proactively adjusted the developmental pattern of its ready-mixed concrete business, heightened control over the operation of its concrete subsidiaries, fine-tuned its overall sales management, strengthened its collection of receivables and re-arranged the location of its concrete subsidiaries and their corresponding mixing stations in a targeted manner, considerably enhanced the market operating capability, economic operation quality and profitability of its ready-mixed concrete subsidiaries.

During the Reporting Period, the cement segment recorded revenue from principal activities of RMB12,818.8 million, a year-on-year increase of 28.9%; gross profit reached RMB2,716.4 million, up 45.1% year-on-year. Aggregated sales volume of cement and clinker amounted to 36.72 million tonnes, an increase of 29.1% year-on-year, of which the sales volume of cement reached 27.99 million tonnes and that of clinker was 8.73 million tonnes; aggregated gross profit margin for cement and clinker was 23.0%, remaining flat year-on-year. Sales volume of concrete totalled 7.41 million cubic meters, a decrease of 12.0% year-on-year, while the gross profit margin for concrete was 10.7%, up 5.3 percentage points year-on-year.

(2) Modern Building Materials Segment

The Company expedited the improvement of the "industrial park" management model with the development of Dachang Industrial Park and Doudian Industrial Park gradually yielding results. BBMG (Dachang) New Building Materials Co., Ltd. actively provided logistics support and external coordination for companies and projects in the Dachang Industrial Park, while Doudian Industrial Park completed infrastructure constructions including roads, water and power supply, gardening, renovation of office buildings as well as the posting of road signs in the industrial park. In addition, the Company continued to perfect its segmented operating model, strengthen the establishment of marketing channels, seize opportunities in cross-provincial markets, capitalise on national industrial policies and heighten the management of key projects.

During the Reporting Period, the modern building material segment achieved revenue from principal activities of RMB5,378.8 million, an increase of 25.9% year-on-year, and gross profit of RMB993.6 million, up 34.7% year-on-year.

(3) Property Development Segment

Sticking to the adjustment of the "two structures" (兩個結構) and the strategy of "accelerating cash flow" (好水快流), the Company quickly grasped the opportunities brought by new state policies and actively promoted the development of affordable housing projects and the process of relocation, effectively reducing operating risks as well as regulatory pressures. Meanwhile, by taking measures such as optimising product mix, adjusting sales strategy, strengthening cost control and enhancing project management, the Company ensured overall stable operation of this segment.

During the Reporting Period, the property development segment recorded revenue from principal activities of RMB8,279.4 million, an increase of 18.9% year-on-year, and gross profit of RMB2,457.5 million, up 29.9% year-on-year. Booked GFA for the year was 836,000 sq.m., down 4.1% year-on-year, of which booked GFA of commodity housing and affordable housing was 484,000 sq.m. and 352,000 sq.m. respectively, representing an increase of 14.9% year-on-year and a decrease of 22.0% year-on-year respectively. Aggregated contracted sales area was 973,000 sq.m., an increase of 8.4% year-on-year, of which aggregated contracted sales area of commodity housing and affordable housing was 424,000 sq.m. and 549,000 sq.m. respectively, an increase of 28.8% year-on-year and a decrease of 3.5% year-on-year, respectively. As at the end of the Reporting Period, the Company's land reserve totalled approximately 6,200,000 sq.m..

Properties Held for Development by the Group as at 31 December 2011

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Aggregate Site Area (thousand sq.m.)	Basement Area (thousand sq.m.)	Completed Area (thousand sq.m.)	Construction in progress (thousand sq.m.)	Not Yet Constructed Area (thousand sq.m.)	Company's interest (thousand sq.m.)	Total Land Reserve (thousand sq.m.)
I. Commodity housing projects											
1	Jinyu Guanlan Times	Jieshan, Changping District, Beijing	2010/3/15	2013/6/22	56.3	19.8	–	55.3	–	100%	75.1
2	Xi Hai'an	Jieshan, Changping District, Beijing	2009/6/25	2013/12/15	56.3	–	–	–	67.0	100%	67.0
3	Jinyu Vanke City	Nanhuan Road, Changping District, Beijing	2008/4/11	2014/5/31	178.9	32.0	1.8	57.7	4.6	51%	96.1
4	Jinyu Huashijiang	Liyuan, Tongzhou District, Beijing	2009/5/25 and 2009/6/12	2014/6/15	390.9	30.4	19.8	81.1	39.6	100%	170.9
5	Tuqiao Phase III	Liyuan, Tongzhou District, Beijing	2010/11/11	2014/5/15	50.6	31.3	–	67.3	–	100%	98.6
6	Dachengjun	Lugouqiaoxiang, Fengtai District	2002/9/13	2010/5/1	156.5	81.0	0.3	7.2	–	100%	88.5
7	Jincheng Center	Jiukeshu Village, Liyuan, Tongzhou District	2010/12/9	2013/10	39.7	77.2	–	138.0	–	100%	215.2
8	Guogongzhuang	Guogongzhuang, Huaxiang, Fengtai District	2012/1/19	2014/12	50.7	–	–	–	152.0	100%	152.0
9	Jinyu Feili Phase I	Eastern Jiancaicheng, Xisanqi, Haidian District, Beijing	2009/12/30	2012/9	33.7	23.3		48.9	–	100%	72.2
	Jinyu Feili Phase II	Eastern Jiancaicheng, Xisanqi, Haidian District, Beijing	2011/7/18	2014/12	83.8	47.4	–	–	116.9	100%	164.3
10	Tianjin Yuecheng	Zhangguizhuang, Dongli District, Tianjin	2010/6/13	2013/12/25	182.5	14.5	26.2	104.3	119.6	100%	264.6
	Tianjin Site B	Zhangguizhuang, Dongli District, Tianjin	2010/3/22	2013/12/15	114.1	13.0	–	–	170.0	100%	183.0
11	Inner Mongolia Jinyu Times City	Chilechuan Dajie, Saihan District, Huhhot, Inner Mongolia	2007/5/29	2014/5/15	310.7	37.8	38.5	–	–	100%	76.3
12	Jinyu Lefu (Tangshan)	Lebei District, Tangshan, Hebei	2010/8/23	2013/8/15	165.9	89.0	–	160.7	44.6	80%	294.3
13	Banshan Tianyuanm Gongshu District, Hangzhou	Banshan Tianyuanm Gongshu District, Hangzhou	2010/11/30	2014/12/26	71.3	52.3	–	–	141.1	100%	193.4
14	Guanlan Times International Garden Tianzhu	Economic and Technology Development Zone, Hangzhou, Zhejiang	2007/5/1	2013/3/15	27.0	71.2	11.4	79.1	–	100%	161.7
	Guanlan Times International Garden Yundi	Economic and Technology Development Zone, Hangzhou, Zhejiang	2007/5/1	2012/12/15	67.7	65.5	–	111.9	–	100%	177.4
	Guanlan Times International Garden Hanting	Economic and Technology Development Zone, Hangzhou, Zhejiang	2009/12/1	2011/12/15	28.6	50.0	31.5	–	–	100%	81.5
	Guanlan Times International Garden Langxuan	Economic and Technology Development Zone, Hangzhou, Zhejiang		2012/12/15	48.6	22.0	–	92.5	–	100%	114.5
15	Chongqing Huangjueya	Huangjueya Zutuan B & C Subdistrict, Nan'an District	2010/6/4	–	451.3	95.9	–	–	434.1	100%	530.0
16	Chongqing Chayuan	Chayuan Xincheng District, Nan'an District	2010/12/1	–	198.6	187.8	–	200.0	470.0	100%	857.8
17	Haikou Meilinghu Beishu	Lingshan Town, Meilan District, Haikou City	2004/3/2	2013/12	164.5	22.2	–	49.0	–	100%	71.2
18	Chengdu Shuangliu	Xihanggangjiedao, Shuangliu, Chengdu	2011/12/12	–	76.5	–	–	–	250.0	80%	250.0
19	Other commodity housing project	Various main districts in Beijing	–	–	–	68.7	5.0	7.4	–	–	81.1
Total					3,004.7	1,132.3	134.5	1,260.4	2,009.5		4,536.7

Properties Held for Development by the Group as at 31 December 2011 *(continued)*

No.	Project Name	Project Location	Date of Land Acquisition	Estimated Project Completion Date	Aggregate Site Area (thousand sq.m.)	Basement Area (thousand sq.m.)	Completed Area (thousand sq.m.)	Construction in progress (thousand sq.m.)	Not Yet Constructed Area (thousand sq.m.)	Company's interest (thousand sq.m.)	Total Land Reserve (thousand sq.m.)
II. Affordable Housing Projects											
1	Jinyu Kanghuiyuan	Shuangqiao, Chaoyang District, Beijing	2010/7/6	2012/3/25	95.9	35.4	46.9	–	37.2	100%	119.5
2	Yueheyuan	Dandian, Chaoyang District, Beijing	2011/5/23	2013/9/10	95.3	19.0	–	50.5	–	100%	69.5
3	Taiheyuan	Gaojing, Chaoyang District, Beijing	2011/11/22	2013/12/20	76.9	–	–	–	194.0	100%	194.0
4	Yanshan Binheyuan (Economical affordable housing)	Jingyuanlu, Shijingshan District, Beijing	2011/5/23	2014/11/15	63.1	35.5	–	230.0	30.0	100%	295.5
5	Yanshan Binheyuan (Price-fixed housing)	Jingyuanlu, Shijingshan District, Beijing	2011/7/22	2014/5/15	104.0	–	–	121.9	–	100%	121.9
6	Other affordable housing projects	Various main districts in Beijing	–	–	–	–	17.1	14.1	–	–	31.2
Total					435.2	89.9	64.0	416.5	261.2		831.6
III. Commercial Projects											
1	Tuqiao F3	Liyuan, Tongzhou District, Beijing	2009/5/25 and 2009/6/12	2013/11/15	–	–	–	–	249.3	100%	249.3
2	Jinyu Fuge (Huang Village, Daxing District)	Huang Village, Daxing District, Beijing	2009/4/27	2013/12/15	62.8	37.5	–	50.0	41.4	100%	128.9
3	Jiaheyuan and facilities	Dongshahe, Changping District, Beijing	2008/10/21	2014/12/15	136.6	3.8	–	–	42.6	100%	46.4
4	Jinyu Vanke City Complex	Nanhuan Road, Changping District, Beijing	2008/4/11	2014/5/31	–	72.7	–	–	–	51%	72.7
5	Inner Mongolia C2	Chilechuan Dajie, Saihan District, Huhhot, Inner Mongolia	2007/5/29		35.6	66.0	–	–	177.0	100%	243.0
6	Hangzhou Facility 2-D	Economic and Technology Development Zone, Hangzhou, Zhejiang	2007/5/1	end of 2014	21.9	25.2	–	–	64.3	100%	89.5
7	Xigongguan	Lugouqiaoxiang, Fengtai District	2004/8/31	2012/10	9.0	8.6	–	13.4	–	100%	22.0
8	Other commercial property projects	Various main districts in Beijing	–	–	–	38.4	–	0.9	–	–	39.3
Total					265.9	252.2	–	64.3	574.6		891.1
Grand total					**3,705.8**	**1,474.4**	**198.5**	**1,741.2**	**2,845.3**		**6,259.4**

(4) *Property Investment and Management Segment*

Making full use of its integrated advantages, the Company made progress in its property operation, property leasing, resort business as well as property management in an orderly manner, with continued improvements in the operation excellence, management capabilities and service quality of each subsidiary and project, realised growth in both operating scale and economic efficiency.

During the Reporting Period, property investment and management segment achieved revenue of RMB1,370.9 million, an increase of 13.0% year-on-year, and gross profit of RMB774.6 million, up 17.3% year-on-year. As at the end of the Reporting Period, the GFA of the Company's investment properties in the core districts of Beijing amounted to approximately 742,000 sq.m..

Investment Properties held by the Group as at 31 December 2011

	Location	Usage	Property Gross Area (thousand sq.m.)	Fair Value (RMB million)	Rental Unit Price (RMB/day)	Average Occupancy Rate (Note)	Unit Fair Value (RMB/sq.m.)
Phase 1 of Global Trade Center	North Third Ring Road, Beijing	Commercial	105	2,170	6.8	94%	20,578
Phase 2 of Global Trade Center	North Third Ring Road, Beijing	Commercial	145	2,490	4.9	95%	17,106
Phase 3 of Global Trade Center (G/F)	North Third Ring Road, Beijing	Retail	61	870	4.6	81%	14,273
Tengda Plaza	West Second Ring Road, Beijing	Commercial	78	1,140	5.2	99%	14,658
Jin Yu Building	West Second Ring Road, Beijing	Commercial	44	790	4.8	95%	17,824
Jianda Building/ Jiancai Jingmao Building	East Second Ring Road, Beijing	Commercial	48	980	3.9	98%	20,605
Dacheng International Center	East Fourth Ring Road, Beijing	Commercial	42	530	2.8	100%	12,766
	Sub-total		**523**	**8,970**			**17,141**
Other properties	Beijing Municipality	Commercial and Retail	219	2,629			12,045
	Total		**742**	**11,599**			**15,700**

Note: The Group leases its investment properties under operating lease arrangements, with most of the leases negotiated for terms ranging from 1 to 19 years.

2. Technological innovation, energy saving and environmental protection

The Company pays close attention to technological innovation as well as energy saving and environmental protection, and attaches great importance to strengthening technological innovation and deepening energy saving and environmental protection.

(1) Increasing technological innovation capabilities

Steady progress has been made in integrated research and development and model projects such as the industrialisation of co-processing of fly ash in cement kilns and the industrialisation of cement incineration with PVC carbide slag in place of limestone, providing technical support for the transition of cement companies. The Company acted as a pioneer in the domestic market for A-grade construction fire-proof insulation systems with its research on and application of new ACF fire-proof construction wall insulation systems such as mineral wool, rockwool and phenol aldehyde fire-proof board, and creating opportunities for the development of the modern building materials segment. During the Reporting Period, the Company lodged 55 patent applications and 23 applications for invention patents. Moreover, the testing design program for the assembled concrete structure technology standards was approved by industry experts and will be issued and implemented as national standards.

(2) Steady progress in energy saving and environmental protection

The Company further pushed ahead with clean production, energy saving and emission reduction, and adhered to the requirements of high technical standards, low resource and energy consumption as well as minimal pollution and emissions in its new, renovation and expansion projects, materialising the shift from end-of-the-pipe treatment to source control and monitoring during the process. Beijing Cement Plant Co., Ltd. was included into the first batch of resource saving and environmentally friendly pilot enterprises by three national departments including the Ministry of Industry and Information Technology. The Fengshan Mine of Beijing Cement Plant Co., Ltd. was named as "National Green Mine Pilot Unit" and its sludge treatment project was included as "model projects for sludge treatment" by the National Development and Reform Committee and Ministry of Housing and Urban-Rural Development. The Company is currently compiling the "standards for waste co-processing and pollution prevention in cement kilns" with the Ministry of Environmental Protection. Tianjin Zhenxing Cement Co., Ltd. became the first company granted with the energy system certification. The environmental impact assessment on Beijing Liulihe Cement Co., Ltd.'s disposal of fly ash created by waste incineration in accordance with the standards for waste co-processing in cement kilns has been approved by the municipal environmental protection bureau.

Beijing Jinyu Pinggu Cement Co., Ltd's sludge treatment project gained strong support from the district government, with its environmental impact assessment approved by the district environmental protection bureau and registered with the economic and informatisation committee.

Analysis of Financial Position for the Reporting Period

1. Principal business operations

Unit: RMB million

	Revenue	Cost of sales	Gross profit margin (%)	Increase or decrease in revenue as compared with last year (%)	Increase or decrease in cost of sales as compared with last year (%)	Increase or decrease in gross profit margin as compared with last year
Cement	12,818.8	10,102.4	21.2	28.9	25.1	Increase of 2.4 percentage points
Modern Building Materials	5,378.8	4,385.2	18.5	25.9	24.0	Increase of 1.2 percentage points
Property Development	8,279.4	5,821.9	29.7	18.9	14.8	Increase of 2.5 percentage points
Property Investment and Management	1,370.9	596.3	56.5	13.0	7.9	Increase of 2.1 percentage points
Eliminations	(437.3)	(426.3)	–	–	–	–
Sub-total	27,410.6	20,479.5	25.3	24.3	20.9	Increase of 2.1 percentage points

2. Investment properties measured at fair value

The Company conducted a subsequent measurement of the investment properties at fair value at the end of the Reporting Period. Changes in fair value are recognised in "fair value gains on investment properties, net" on the face of the consolidated income statement. The fair value is revalued by an independent professionally qualified valuer based on the prices in the open market on a regular basis.

No depreciation or amortisation of investment properties is included in the financial statements. The book value of investment properties is adjusted based on their fair value at the end of the Reporting Period. The difference between the fair value and the original book value is recognised in the profit or loss for the Reporting Period.

During the Reporting Period, the gains arising from changes in fair value of investment properties of the Group were RMB898.2 million, accounting for 17.5% of the profits before tax. The fair value gains on investment properties were mainly due to an upward revision to the fair value of the investment properties of the Group by the valuer based on the generally rising rental of commercial properties on the open market in Beijing.

3. Expenses during the Reporting Period

(1) Selling and distribution costs were RMB1,098.3 million, an increase of RMB241.2 million year-on-year. Such increase was mainly due to business expansion.

(2) Administrative expenses were RMB2,122.3 million, an increase of RMB549.8 million year-on-year. Such increase was mainly due to business expansion.

(3) Finance costs were RMB807.5 million, an increase of RMB446.7 million year-on-year. Such increase was mainly due to increased borrowings in line with the business needs of the Group and the upward adjustment in lending rates by the PRC government.

4. Cash flows

In 2011, a net increase of RMB95.9 million in cash and cash equivalents was recognised in consolidated financial statements of the Company. Such increase was the net result of (i) the net cash outflow generated from operating activities of RMB1,195.2 million (by adding back the housing prepayment of RMB2,484.0 million as regulated by the PRC government in the property segment, the actual net cash inflow generated from operating activities was RMB1,288.8 million), (ii) the net cash outflow generated from investment activities of RMB2,501.6 million, (iii) the net cash inflow generated from financing activities of RMB3,793.5 million and (iv) the exchange realignment of RMB0.8 million.

Outlook for 2012

The PRC government will continue to implement a proactive fiscal policy and a prudent monetary policy to maintain the continuity and stability of the macro economy in the year 2012. The general theme of promoting economic and social development is "making progress while maintaining stability" (穩中求進).

1. Major Operational Goal

In 2012, China's expected GDP growth target has dropped below 8% for the first time in the past eight years. On the other hand, the PRC government accelerated the construction of infrastructure such as water conservancy facilities, as well as strengthened its efforts in the construction of affordable housing and the renovation of dilapidated buildings and old houses in urban areas. Amid complex external economic situations and a difficult market environment, the Company will proactively respond to the challenges and opportunities ahead and place its focus on the four main business segments of cement, modern building materials, property development, and property investment and management, with an aim to achieving a stable growth of revenue and profit.

2. Development Strategy

(1) Cement Segment

The Company will keep on strengthening and developing the "grand cross-shape" strategy by stepping up on merger and acquisition while building and expanding cement production lines with an aim to improving the production capacity and regional dominance of the Company. First, the Company will leverage on its leading position in marketing and distribution and capabilities of regional interaction, keep on expanding its market share and strive to achieve economies of scale. Second, the Company will advance in technological innovation, step up energy conservation and emission reduction and enhance integrated use of resources, further develop cyclical economy to realise green development, transformational development and sustainable development. Third, the Company is determined to build a large and strong ready-mixed concrete operation, carry out regional deployment in a steadfast manner, strengthen corporate governance in the concrete business and cash flow management, put trade receivables under tight control and enhance the quality of overall operations. Forth, the Company will strengthen the integration of mining resources, step up the protection of resources and achieve sustainable growth as a mining enterprise.

(2) Modern Building Materials Segment

The Company will continue with the improvement of the industry-clustered development model of the industrial park and optimisation of the construction projects in the industrial park, focusing on bringing the efficiency of the industry-cluster in the industrial park into full play. The Company will seek for new investment and construction projects in cross-provincial markets with an aim to enhancing the overall competitiveness of this segment and cultivate new point of economic growth for this segment. The Company will adhere to the development direction of industry park production, integrated marketing, roll-out of high-end products, large scale industry development and refined management, with a view to enhancing the overall quality of operations and the management standard of this segment.

(3) Property Development Segment

The Company will continue to implement the business strategy of adjusting the "accelerating cash flow" (好水快流) and the "two structures" (兩個結構). First, the Company will step up the effort in developing affordable housing and accelerate the integration with the market of affordable housing. Second, the Company will strengthen its sales efforts for commodity housing projects and expedite the recovery of capital. Third, the Company will continuously expand its land reserves by accelerating the conversion of self-owned industrial lands and acquiring new lands with reasonable price when opportunities arise.

(4) Property Investment and Management Segment

While focusing on enhancing the quality of overall economic operations of the segment, the Company will proactively plan for projects outside Beijing. First, the Company will carry out benchmarking management with an aim to step up on management standards. Second, the Company will rationalise and optimise its clientele with a view to increase rental income. Third, the Company will cultivate new point of economic growth by pushing forward the operation of the service apartments of Global Trade Center.

Liquidity and Financial Resources

As at 31 December 2011, the Group's consolidated total assets amounted to RMB76,757.0 million, an increase of 23.5% from the end of last year, which were financed by liabilities of RMB55,041.4 million, non-controlling interests of RMB1,561.8 million and equity of RMB20,153.8 million. The asset quality was significantly improved, net assets amounted to RMB21,715.6 million, an increase of 14.6% from the end of last year. As at 31 December 2011, the Group's net current assets were RMB5,633.2 million, a slight increase of RMB127.4 million year-on-year. Debt ratio (total liabilities to total assets) as at 31 December 2011 was 71.7%, a slight increase of 2.2 percentage points from the beginning of the Reporting Period.

As at 31 December 2011, the Group's cash and bank balances amounted to RMB5,126.5 million, a slight increase of RMB95.9 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 31 December 2011, the Group's interest-bearing bank borrowings amounted to RMB22,663.6 million. Of these borrowings, approximately RMB14,891.0 million interest bearing bank borrowings were due for repayment within one year, an increase of approximately RMB5,562.2 million from the beginning of the year. Approximately RMB7,772.6 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB202.2 million from the beginning of the year.

During the Reporting Period, the Company signed cooperation agreements with various banks to obtain credit facilities. The Company has sufficient capital for its operation.

Material Acquisitions of Subsidiaries

(a) For the purpose of merging Taihang Cement which was completed in February 2011; the Company issued 410,404,560 A shares of the Company (the "Consideration Shares") at RMB9 per share in exchange for the shares of Taihang Cement held by the non-controlling shareholders of Taihang Cement at an exchange ratio of the Company's 1.2 Consideration shares for 1 share of Taihang Cement. The shares of Taihang Cement were delisted from the Shanghai Stock Exchange on 18 February 2011 and the Consideration Shares of the Company were 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 unlisted domestic shares and 338,480,000 unlisted foreign shares of the Company were converted into the A shares of the Company and traded on the Shanghai Stock Exchange on the same conditions and in all respects as those of the Consideration Shares, save for the statutory lock-up restrictions ranging from one to three years, depending on the holders of the unlisted domestic shares and the unlisted foreign shares.

The Board considered that the merger 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 or its subsidiaries 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 stock market for the Group in the future. Taihang Cement was deregistered and ceased to exist in April 2011.

The table below sets out the change of the shareholding structure of the Company as a result of the issue of the A shares:

	Before issue of A shares		**After issue of A shares**	
	Number of issued shares	%	Number of issued shares	%
Unlisted shares				
– Domestic shares	2,365,470,065	61.07	–	–
– Foreign shares	338,480,000	8.74	–	–
H shares	1,169,382,435	30.19	1,169,382,435	27.30
A shares	–	–	3,114,354,625	72.70
Total	3,873,332,500	100.00	4,283,737,060	100.00

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 unlisted domestic shares and unlisted foreign shares of 950,302,199 shares are subject to a lock-up period of 12 months. The holders of the shares of Taihang Cement that were originally subject to certain lock-up restrictions are now subject to the same lock-up restrictions after converting the shares of Taihang Cement into the A shares of the Company.

(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 Cleaning Services Company Limited (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.

Pledge of Assets

As at 31 December 2011, certain of the Group's investment properties, property, plant and equipment, land use rights and properties under development amounting to approximately RMB10,793.8 million (31 December 2010: RMB6,261.4 million (restated)) were pledged to certain banks for securing the loans granted to the Group and a corporate debenture issued by the Parent and accounted for approximately 14.1% of the total assets of the Group (31 December 2010: 10.1% (restated)).

Contingent Liabilities

The Group had the following contingent liabilities not provided for as at the end of the Reporting Period:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	***3,120,640***	3,398,245

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

Capital Commitments

The Group entered into certain agreements in respect of acquisition of property, plant and equipment, acquisition of subsidiaries and construction of properties being developed by the Group for sale. As at 31 December 2011, the Group had a total capital commitment of RMB7,702.3 million (31 December 2010: RMB5,309.4 million (restated)).

Employees

As at 31 December 2011, the Group had 33,678 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, terms of service and work performance, and reviews these salaries and benefits on a regular basis.

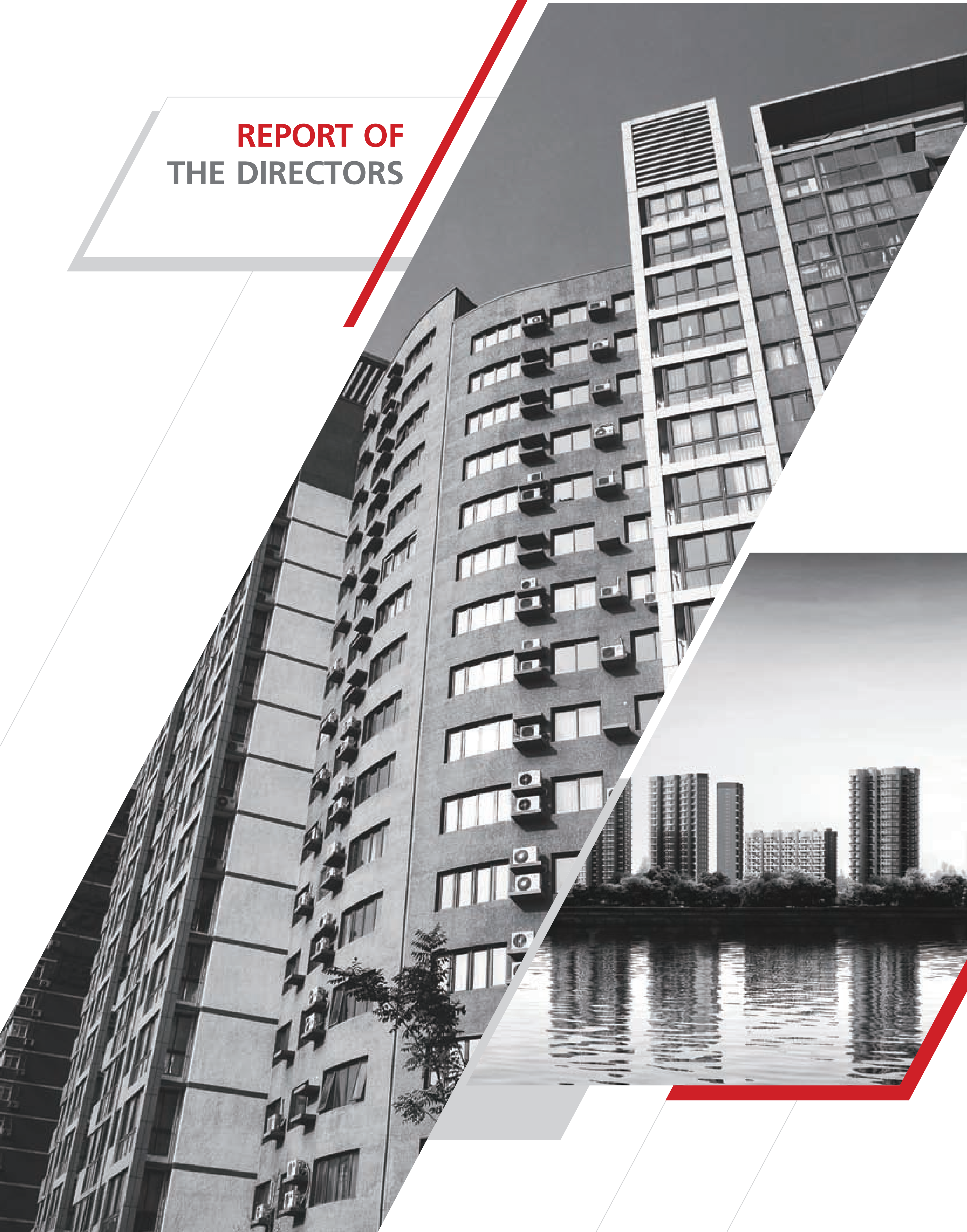
Foreign Exchange Risk Management

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, 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 nor 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.

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.

REPORT OF THE DIRECTORS



The Directors have pleasure in presenting to the shareholders their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011. The Company was established and registered as a joint stock company with limited liability in the PRC under the Company Law of the PRC on 22 December 2005 and registered on 4 November 2008 as a non-Hong Kong company in Hong Kong under part XI of the Hong Kong Companies Ordinance. The H shares of the Company were listed on the Main Board of the Stock Exchange on 29 July 2009. The A shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The Group is principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment and provision of property management services. The activities of the Company's principal subsidiaries are shown on pages 147 to 150. An analysis of the Group's performance for the year by business segments is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 87 to 199 of this Annual Report.

No interim dividend has been paid during the Reporting Period. The Directors recommend the payment of a final dividend of RMB0.072 per share for the year ended 31 December 2011 to the shareholders on or before 23 July 2012 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the Reporting Period are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 33.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the latest published financial statements and the prospectus of the Company dated 17 July 2009, is set out on page 200 of this Annual Report. This summary does not form part of the audited financial statements.

BANK LOANS, CORPORATE BONDS AND NOTES

Details of the Company's and the Group's bank loans, corporate bonds and notes as at 31 December 2011 are set out in notes 30 and 32 to the financial statements, respectively. During the Reporting Period, interest capitalized amounted to approximately RMB538.7 million, details of which were set out in note 7 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 37 to the financial statements.

Up to the date of this report, based on publicly available information and to the knowledge of the Directors, the Company has been complying with the prescribed public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, an amount of approximately RMB4,415,521,000 standing to the credit of the Company's reserve account is available for distribution, of which RMB308,429,000 has been proposed as a final dividend for the year.

DIRECTORS AND SUPERVISORS

The Directors and the Supervisors of the Company who held office during the Reporting Period and up to the date of this report were as follows:

Executive Directors:

Jiang Weiping *(Chairman)*	
Li Changli *(Vice Chairman)*	(resigned on 9 January 2012)
Jiang Deyi *(President)*	
Wang Hongjun	
Deng Guangjun	

Non-executive Directors:

Li Xinhua	(appointed on 24 May 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	
Fan Xiaolan	(resigned on 15 July 2011)
Wang Youbin	
Ma Weixin	
Sheng Guihua	(appointed on 15 July 2011)

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE GROUP

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

EMPLOYEE RETIREMENT PLAN

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' REMUNERATIONS

Details of the remunerations of the Directors and the Supervisors of the Company are set out in note 8 to the financial statements.

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

As at 31 December 2011, none of the Directors, the Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part VI of the SFO (including interest and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

TRANSACTIONS IN RESPECT OF THE GROUP'S OWN SECURITIES

During the Reporting Period, the Group had neither issued nor granted any convertible securities, options, warrants or other similar rights. As at 31 December 2011, the Group had no redeemable securities.

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

So far as was known to the Directors, as at 31 December 2011, shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of 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	138,074,568	11.81	3.22
H shares	Sloane Robinson LLP	Directly and beneficially owned	70,497,000	6.03	1.65
H shares	UBS AG	Directly and beneficially owned	63,122,225	5.40	1.47
H shares	Government of Singapore Investment Corporation Pte Ltd	Directly and beneficially owned	59,149,000	5.06	1.38

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	3,519,336	0.30	0.08
H shares	UBS AG	Directly and beneficially owned	9,132,078	0.78	0.21

Save as disclosed above, as at 31 December 2011, so far as was known to the Directors, 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 disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchase from the Group's five largest suppliers accounted for less than 30% of the total purchase for the year.

COMPETITION AND CONFLICT OF INTERESTS

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

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transactions are "connected transactions" or "continuing connected transactions" as defined in the Listing Rules and are required to be disclosed in the annual report of the Company.

A. One-off Connected Transaction

The Merger Proposal and the A Share Issue

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 and the Company will issue A shares to the shareholders of Taihang Cement to implement the proposed merger of Taihang Cement (the "Merger Proposal"). The Parent, being a holder of 76,003,800 shares of Taihang Cement, will participate in the Merger Proposal and exchange its shares of Taihang Cement for 91,204,560 A shares of the Company at an exchange ratio of 1.2 A shares for one share of Taihang Cement. Also, the Parent may receive not more than 150,058,400 shares of Taihang Cement which may be exchanged into 180,070,080 A shares of the Company under the cash alternative arrangement of the Merger Proposal.

The Merger Proposal and the issue of A Share Issue were completed on 1 March 2011, after which, Taihang Cement became a wholly-owned subsidiary of the Company.

The Parent is a substantial shareholder of the Company and therefore a connected person of the Company for the purposes of the Listing Rules.

B. Continuing Connected Transactions

(1) Leasing of properties from the Parent Group

On 8 July 2009, the Company and the Parent entered into a master lease agreement (the "Master Lease Agreement"), pursuant to which the Parent and its subsidiaries (the "Parent Group") leased a number of properties to the Group for a term commencing on 29 July 2009 and expired on 31 December 2011. As disclosed in the prospectus of the Company dated 17 July 2009, the annual cap in respect of the transactions under the Master Lease Agreement for the Reporting Period was RMB9,600,000 and the total actual transaction amounts for the Reporting Period was RMB3,470,000.

(2) Purchase of services from the Parent Group

On 8 July 2009, the Company and the Parent entered into a service purchase agreement (the "Service Purchase Agreement"), pursuant to which the Group agreed to purchase services such as consultancy (including the preparation of feasibility studies and reports), staff training, cleaning services and certain specialized property maintenance services from the Parent Group (including its associates) for a term commencing on 29 July 2009 and expired on 31 December 2011. As disclosed in the announcement of the Company dated 17 January 2010 and the circular of the Company dated 11 February 2010, the annual cap in respect of the transactions under the Service Purchase Agreement for the Reporting Period was RMB400,000,000 and the total actual transaction amounts for the Reporting Period was RMB6,823,000.

(3) Sale of goods to the Parent Group

On 8 July 2009, the Company and the Parent entered into a sales agreement (the "Goods Sales Agreement"), pursuant to which the Group has agreed to sell goods such as cement, clinker, refractory materials, furniture, colour boards, toiletry and wooden products to the Parent Group (including its associates) for a term commencing on 29 July 2009 and expired on 31 December 2011. As disclosed in the announcement of the Company dated 17 January 2010 and the circular of the Company dated 11 February 2010, the annual cap in respect of the transactions under the Goods Sales Agreement for the Reporting Period was RMB1,500,000,000 and the total actual transaction amounts for the Reporting Period was RMB9,395,000.

(4) Lease of equipment from the Parent Group

On 6 January 2010, the Company entered into a master equipment lease agreement with the Parent (the "Master Equipment Lease Agreement"), pursuant to which the Parent Group (including its associates) agreed to lease to the Group certain ancillary and supplemental production equipment and systems for a term commencing on 1 January 2010 and expiring on 31 December 2012. As disclosed in the announcement of the Company dated 6 January 2010, the annual cap in respect of the transactions under the Master Equipment Lease Agreement for the Reporting Period was RMB29,000,000 and the total actual transaction amounts for the Reporting Period was nil.

(5) Purchase of goods from the Parent Group

On 8 July 2009, the Company entered into a goods purchase agreement with the Parent (the "BBMG Group Goods Purchase Agreement"), pursuant to which the Parent Group (including its associates) agreed to supply to the Group goods including cement, fuel and limestone for a term commencing on 29 July 2009 and expired on 31 December 2011. As disclosed in the announcement of the Company dated 17 January 2010 and the circular of the Company dated 11 February 2010, the annual cap in respect of the transactions under the BBMG Group Goods Purchase Agreement for the Reporting Period was RMB1,500,000,000 and the total actual transaction amounts for the Reporting Period was RMB19,432,000.

(6) Provision of services to the Parent Group

On 8 July 2009, the Company entered into a service provision agreement with the Parent (the "BBMG Group Service Provision Agreement"), pursuant to which the Group agreed to provide services such as property management and cement sales distribution to the Parent Group (including its associates) for a term commencing on 29 July 2009 and expired on 31 December 2011. As disclosed in the announcement of the Company dated 17 January 2010, the annual cap in respect of the transactions under the BBMG Group Service Provision Agreement for the Reporting Period was RMB20,000,000 and the total actual transaction amounts for the Reporting Period was RMB19,174,000.

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

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

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

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

Ernst & Young, the Company's international auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 of the Company have been audited by Ernst & Young and Beijing Xinghua Certified Public Accountants.

On behalf of the Board

Jiang Weiping
Chairman
Beijing, the PRC, 28 March 2012

REPORT OF THE SUPERVISORY BOARD

During the Reporting Period, the Supervisory Board closely supervised the Company's financial conditions, lawful operation and the performance of duties by the Board and the management with an aim to protect the interests of both the Company and the shareholders of the Company in accordance with the Company Law of the People's Republic of China, the Articles of Association of BBMG Corporation and the Rules of Procedures of the Supervisory Board of BBMG Corporation. All Supervisors exercised due diligence and care in discharging their duties and fulfilled substantially all of the objectives of the Supervisory Board for the year 2011.

I. Meetings of the Supervisory Board in 2011

During the Reporting Period, the Supervisory Board held 4 meetings in total. Details are set out as follows:

(1) The seventh meeting of the second session of the Supervisory Board

The seventh meeting of the second session of the Supervisory Board was convened on-site in Beijing on 29 March 2011. Six out of the seven eligible Supervisors attended the meeting. Supervisor Ma Weixin was unable to attend the meeting due to his personal accord and, having duly reviewed all proposals at the meeting, authorized Supervisor Mr. Wang Xiaoqun as his proxy to attend the meeting and exercise the voting right on his behalf. The following resolutions were considered and passed at the meeting:

1. the resolution for considering the annual report and its summary and the annual results announcement of the Company for 2010;

2. the resolution for considering the audited accounts of the Company for 2010;

3. the resolution for considering the preliminary profit distribution plan of the Company for 2010;

4. the resolution for considering the self-evaluation report on internal control of the Company for 2010;

5. the resolution for considering the corporate social responsibility report of the Company for 2010; and

6. the resolution for considering the report of the Supervisory Board for 2010.

(2) The eighth meeting of the second session of the Supervisory Board

The eighth meeting of the second session of the Supervisory Board was convened on-site in Beijing on 26 April 2011. Five out of the seven eligible Supervisors attended the meeting. Supervisors Hu Jingshan and Ma Weixin were unable to attend the meeting due to their personal accords and, having duly reviewed all proposals at the meeting, authorized Supervisor Mr. Wang Xiaoqun as their proxy to attend the meeting and exercise the voting right on their behalf. The following resolutions were considered and passed at the meeting:

1. the resolution for considering the full text and body text of the first quarterly report for 2011 of the Company;

2. the resolution for considering the implementation scheme of internal control standards of the Company; and

3. the resolution for considering the provision of guarantees to the controlled subsidiaries of the Company.

(3) The ninth meeting of the second session of the Supervisory Board

The ninth meeting of the second session of the Supervisory Board was convened on-site in Beijing on 29 August 2011. Five out of the seven eligible Supervisors attended the meeting. Supervisors Hu Jingshan and Ma Weixin were unable to attend the meeting due to their personal accords and, having duly reviewed all proposals at the meeting, authorized Supervisor Mr. Wang Xiaoqun as their proxy to attend the meeting and exercise the voting right on their behalf. At the meeting, the proposal for the interim results report for 2011 of the Company was considered and passed.

(4) The tenth meeting of the second session of the Supervisory Board

The tenth meeting of the second session of the Supervisory Board was convened on-site in Beijing on 28 October 2011. Four out of the seven eligible Supervisors attended the meeting. Supervisors Hu Jingshan and Ma Weixin were unable to attend the meeting due to their personal accords and, having duly reviewed all proposals at the meeting, authorized Supervisor Mr. Wang Xiaoqun as their proxy to attend the meeting and exercise the voting right on their behalf. Supervisor Zhang Jie was unable to attend the meeting due to his personal accord and, having duly reviewed all proposals at the meeting, authorized Supervisor Mr. Sheng Guihua as his proxy to attend the meeting and exercise the voting right on his behalf. At the meeting, the proposal for the third quarterly report for 2011 of the Company was considered and passed.

II. Attendance of Members of the Supervisory Board to the General Meetings and the Board Meetings in 2011

During the Reporting Period, members of the Supervisory Board attended one shareholders' general meeting convened by the Company and four on-site meetings convened by the Board, and reviewed the resolutions proposed to such general meetings and the Board. The Supervisors exercised their supervision over the meetings' compliance, voting procedures, major decision-making processes of the Company and the performance of duties by the members of the Board and the senior management by attending relevant meetings.

III. Opinion of the Supervisory Board on Certain Issues of the Company for the Year 2011

During the Reporting Period, the Supervisory Board and the Supervisors exercised their supervision over the standardized operation, compliance with laws and regulations, major decision-making and the performance of duties by the members of the Board and the senior management of the Company by ways of attending the shareholders' general meetings, being present at relevant meetings such as the Board meetings and conducting specific independent inspections, and expressed independent opinions on the following issues.

(1) Standardized operation and performance of duties by the Directors and the senior management

Pursuant to the laws and regulations of the jurisdiction(s) where the shares of the Company are listed, the Supervisory Board had duly overseen and examined the convening procedures and resolutions of the Board meetings of the Company, implementation by the Board of the resolutions of the shareholders' general meetings, the performance of duties by the senior management of the Company under relevant laws and the establishment and implementation of a mature internal management system of the Company in 2011. With respect to the business operations of the Company and the performance of duties by the Directors and the senior management, the Supervisory Board was not aware of any violation of laws, regulations, the Articles of Association and relevant protocols, rules of procedures, nor any power being abused or infringement of the interests of the shareholders of the Company and the legitimate rights of the employees.

(2) Financial position of the Company

During the Reporting Period, the Supervisory Board and the Supervisors had duly supervised and inspected the financial system and financial position of the Company, and carefully considered the financial information of the Company as contained in the Audited Accounts of the Company for 2011, Preliminary Profit Distribution Plan for 2011 and regular reports (定期報告) in 2011, and are of the opinion that the Company's financial information gives a true, fair and complete view of its financial conditions and operating performance. The reporting accountant of the Company had audited the financial reports included in the regular reports and issued standard auditors' report without qualified opinions.

(3) Regular reports of the Company

During the Reporting Period, the Supervisory Board and the Supervisors exercised supervision over the preparation, review and disclosure procedures of the Company's regular reports (定期報告) in 2011, and are of the opinion that such procedures are in accordance with laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company. The content and format of the regular reports (定期報告) are in consistence with all provisions of the regulatory authorities and the information contained therein gives a true, accurate and complete view of the business activities of the Company in 2011. No violation of the regulations regarding confidentiality, information disclosure and other aspects by personnel involved in preparation, review and disclosure of the regular reports has been found.

(4) Transaction including acquisition or disposal of assets, external investment and guarantees of the Company

With respect to its transaction including acquisition or disposal of assets, external investment and guarantees during the Reporting Period, the Supervisory Board and the Supervisors were not aware of any violation of laws and regulations, regulatory requirements, the Articles of Association and the internal management system of the Company or any insider dealing or any behaviour detrimental to the interests of the shareholders of the Company that may cause any loss to the Company's assets.

(5) Connected transactions of the Company

The Supervisory Board and the Supervisors are of the opinion that the connected transactions were conducted by the Company during the Reporting Period in strict compliance with laws and regulations, regulatory requirements, the Articles of Association and other provisions, with approving procedures in compliance with laws and regulations, on a fair and reasonable basis and free of any behaviour in prejudice to the interests of the Company and its shareholders.

(6) Self-evaluation report on internal control of the Company

During the Reporting Period, the Supervisory Board and the Supervisors reviewed the self-evaluation report on internal control for 2011 as well as the establishment and implementation of the internal control system of the Company, and are of the opinion that the Company maintained and effectively implemented a well-established internal control system, and that the self-evaluation report on internal control gives a true and objective view of the establishment and implementation of the internal control system of the Company.

(7) Corporate social responsibility report

During the Reporting Period, the Supervisory Board and the Supervisors reviewed the Company's corporate social responsibility report for 2011, and are of the opinion that the report gives an objective and practical view of the performance of corporate social responsibilities of the Company.

IV. Changes in Members of the Supervisory Board in 2011

As approved at the second meeting for 2011 of the third session of the labour union committee of the Company on 15 July 2011, Mr. Sheng Guihua was elected as the staff representative Supervisor with a term same as the second session of the Supervisory Board of the Company. At the same time, Ms. Fan Xiaolan ceased to act as the staff representative Supervisor of the second session of the Supervisory Board of the Company.

V. Work Plan of the Supervisory Board for 2012

In 2012, the Supervisory Board will continue to earnestly discharge its duties diligently in strict compliance with the relevant requirements under applicable laws and regulations including the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Board of the Company, thereby protecting the legitimate rights and interests of the Company and its shareholders as a whole.

(1) Duly discharging duties under the laws and regulations

In 2012, the Supervisory Board will exercise supervision over standardised operations and the performance of duties by the Directors and the senior management of the Company in strict compliance with the Company Law, the Articles of Association and relevant requirements. Firstly, it will procure the Company to further improve its corporate governance structure and governance practices according to the requirements of the modern enterprise systems. Secondly, it will continue to strengthen its supervisory functions, attending the general meetings and the Board meetings under the laws to keep informed of the Company's major decisions and the legitimacy of decision-making processes to better protect the rights and interests of the shareholders of the Company. Thirdly, it will implement the Rules of Procedures of the Supervisory Board and convene meetings of the Supervisory Board on a regular basis.

(2) Strengthening supervision and inspections to avoid operational risks

Firstly, it will focus on financial control to carry out supervision and inspections on financial affairs of the Company. Secondly, it will prioritise its supervision and inspections on the Company's significant events including major investment, asset disposal, merger and acquisition and connected transactions, so as to effectively avoid operational risks. Thirdly, it will follow up the establishment and implementation of the internal control system of the Company to ensure its effectiveness. Fourthly, it will maintain communications with the internal audit function and external auditors of the Company, taking full use of internal and external audit information to keep abreast of the updates.

(3) It will enhance communications with the Board and the management to facilitate rational and scientific decisions and management of the Company. Meanwhile, it will build up communications with the staff to advance the Company's democratic management and harmonious development.

(4) It expects to uplift professional capabilities through self improvements to better perform the supervisory duties of the Supervisory Board.

Wang Xiaoqun
Chairman

Beijing, the PRC, 27 March 2012

INVESTOR RELATIONS REPORT

OVERVIEW

The Group strongly believes that effective and close communications with the shareholders of the Company is the key to good corporate governance and investor relations are an integral part of maintaining good corporate governance of a listed company. 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, accurate and transparent information disclosure and facilitating two-way communication between investors and the Group. The Board secretary and one of the joint company secretaries, Wu Xiangyong, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the Reporting Period, the Group actively participated in various investor relations activities and provided on-time information to investors through the company website. In addition, the Group has also demonstrated a high level of compliance with the Listing Rules and relevant requirements under the Stock Exchange during the Reporting Period.

INVESTOR RELATIONS REVIEW

1. A Share Issue and Roadshows

The A shares of the Company have been successfully listed on the Shanghai Stock Exchange on 1 March 2011. During the issue period, webcast investor meetings and nationwide roadshows were held in major cities of the PRC where site visits, 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 and major investment banks after the results announcement in major financial international financial markets in Hong Kong and overseas. The roadshows were proved to be an excellent opportunity and platform to convey a clear message to the investors about the Group's latest operational and financial performances and business prospect for the investors' deeper and clearer understanding of the Group.

2. Investor Forums and Conferences

During the Reporting Period, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in the PRC, Hong Kong, Japan and the United States, 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 1,500 analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group. Constructive suggestions and feedbacks collected from the investors and analysts will be addressed carefully by the management.

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 Company 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. Up to the date of this annual report, 20 sell side research reports have been issued by prominent research institutions to cover the operation of the Company. The Group also believes that the shareholders' general meetings is an important channel for communication with its shareholders and Investors and encourages an open dialogue between its shareholders and the directors and/or senior management of the Company.

4. Results Announcement

The Group had prepared detailed results reports and presentation materials 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. The Group regularly updated the contents of the company website (www.bbmg.com.cn), 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 of the Company, investors, analysts and media by means of email, facsimile and telephone; and published announcements, press releases and other latest updates on the development of the Group, so as to strengthen the effectiveness of information dissemination.

PROSPECTS

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

The Group also welcomes constructive recommendation and feedback from the investment community. With the invaluable support from the investors and the public, we are committed to providing the best investor relations service and continuously improving the quality and transparency of public disclosure so as to maximize the return to the shareholders of the Company.

INVESTOR INFORMATION

1 Share Particulars

H Shares	
Listing date	29 July 2009
Board lot	500 shares
Number of issued H shares	1,169,382,435 shares (as at 31 December 2011 and 28 March 2012)
Stock code	2009
A Shares	
Listing date	1 March 2011
Board lot	100 shares
Number of issued A shares	3,114,354,625 shares (as at 31 December 2011 and 28 March 2012)
Stock code	601992

2 Financial Calendar

2010 annual results announcement	published on 30 March 2011
2011 first quarterly results announcement	published on 26 April 2011
2011 interim results announcement	published on 29 August 2011
2011 third quarterly results announcement	published on 28 October 2011
2011 annual results announcement	published on 28 March 2012
Closure of register of H shares members for attending the 2010 annual general meeting	from 25 April 2011 to 24 May 2011
2010 annual general meeting	24 May 2011
Closure of register of H shares members for attending the 2011 annual general meeting	from 25 April 2012 to 24 May 2012
2011 annual general meeting	24 May 2012
Financial year end	31 December

3 Dividends

2010 final dividend	RMB0.070 per share
Closure of register of H shares members for 2010 final dividend	from 13 June 2011 to 17 June 2011
Proposed 2011 final dividend	RMB0.072 per share
Closure of register of H shares members for 2011 final dividend	from 14 June 2012 to 18 June 2012

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

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

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2011.

1 Commitment to Corporate Governance

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

During the Reporting Period, the Company complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines stipulated by regulatory authorities such as the China Securities Regulatory Commission, the Hong Kong Securities and Futures Commission, the Shanghai Stock Exchange and the Stock Exchange. The Company has adopted and complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Listing Rules during the year ended 31 December 2011 as its own code on corporate governance practices.

In addition to the existing internal protocols and guidelines to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules, in contemplating the listing of the A shares, the Board has further formulated additional rules of procedures to comply with the relevant requirements under the PRC laws and regulations. The Company has adopted: Continuing Connected Transactions Practical Guidelines (關連交易實施細則); System on Managing Investor Relationship (投資者關係管理制度); System on Managing Insiders and External Information (內幕資訊知情人和外部資訊使用人管理制度); Management Protocol on Information Disclosures (信息披露管理辦法); System on Managing Use of Proceeds (募集資金使用與管理制度); Securities Dealing Code for Management (管理層證券交易守則); Management Protocol on Related Party Transactions (關聯交易管理辦法); System on Managing External Guarantee (對外擔保管理制度); Management Protocol on External Investment (對外投資管理辦法); Working Guidelines for Executives (總裁工作細則); System on Internal Reporting on Material Information (重大資訊內部報告制度); System on Managing Fund Flow To And From Related Parties (與關聯方資金往來管理制度); Rules of Procedure for the Remuneration and Nomination Committee (薪酬與提名委員會議事規則); Rules of Procedure for the Meetings of the

Board (董事會議事規則); Working System of Independent Directors (獨立董事工作制度); Rules of Procedure for General Meetings (股東大會議事規則); Rules of Procedure for the Strategic Committee (戰略委員會議事規則); Rules of Procedure for the Audit Committee (審計委員會議事規則); Rules of Procedure for the Supervisory Board (監事會議事規則); and Guidelines on Identifying Connected Parties (管連人士確認細則).

During the Reporting Period, the Company has also adopted Working Guidelines for Board Secretary (董事會秘書工作細則) and Protocol on Internal Control Evaluation (內控評價辦法).

The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance its corporate governance standards in light of the actual circumstances of the Company. In addition, the Company will closely study the development of corporate governance practices among the leading public companies and the requirements of the investing community continuously. The Company will also review and strengthen the corporate governance procedures and practices from time to time so as to ensure the long-term sustainable development of the Company.

2 The Board

Duties and Functions of the Board

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

The Directors are responsible for the preparation of the accounts of each financial period with a view to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. Since October 2010, in compliance with the relevant rules and regulations for information disclosure, the Group has been releasing quarterly financial results. In January 2012, the Group commenced the disclosure of preliminary annual major operational data to enable the investment public to have an advance overview and assessment of the Group's business operations. Regular management reports on the financial position and prospects of each business unit of the Group are reviewed by the senior management to enable the Board to make an informed assessment of the performance of the Group.

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

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

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

Composition

As at the end of the Reporting Period, the Board comprises six executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors:

Jiang Weiping	Chairman of the Board, the Remuneration and Nomination Committee and the Strategic Committee
Li Changli	Vice chairman of the Board and the Strategic Committee (resigned on 9 January 2012)
Jiang Deyi	President and Vice chairman of the Strategic Committee
Shi Xijun	Vice chairman of the Remuneration and Nomination Committee
Wang Hongjun	Chief financial officer and member of the Strategic Committee
Deng Guangjun	member of the Strategic Committee

Non-executive Director:

Li Xinhua	member of the Audit Committee (appointed on 24 May 2011)

Independent non-executive Directors:

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

The biographical details of each Director are disclosed on pages 9 to 12 of this Annual Report.

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

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

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

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

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

The Chairman and the Chief Executive Officer

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

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

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

Term of Office of Directors

Each of the executive Directors (save for Deng Guangjun) and non-executive Directors (save for Li Xinhua) has entered into a service contract with the Company for a term of three years commencing on 28 April 2009. Deng Guangjun has entered into a service contract with the Company as an executive Director for a term commencing on 30 March 2010 and ending on 27 April 2012. Li Xinhua has entered into a service contract with the Company as a non-executive Director of the Company for a term commencing on 24 May 2011 and ending on the 27 April 2012. Each of the independent non-executive Directors has been appointed for a term of three years commencing on 28 April 2009.

Joint Company Secretaries

All Directors are entitled to the joint company secretaries' services. The joint company secretaries report and notify the Board the latest information on governance and oversight on a regular basis, assist the chairman in preparation of the agenda, and prepare and despatch meeting documents on a timely and comprehensive basis so as to ensure the efficiency and validity of the Board meetings. With the assistance of the Company's legal advisers, the joint company secretaries are in charge of arranging the publication of annual, interim and quarterly reports and disclosure of information and data in accordance with the Listing Rules and the relevant rules and guidelines of the Company. The joint company secretaries make timely and regular enquiries with the Company's finance department in accordance with the Company's protocols and guidelines such as the Continuing Connected Transactions Practical Guidelines (關連交易實施細則), Management Protocol on Related Party Transactions (關聯交易管理辦法) and Guidelines on Identifying Connected Parties (關連人士確認細則) for information on connected transactions to secure the full compliance with the Listing Rules in respect of such transactions.

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

Board Meetings

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

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

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

The Board held four regular Board meetings during the Reporting Period to review the financial performance of the Group. Between these regular meetings, the Board also met to discuss and consider major issues (whether or not required by the Listing Rules) and also on other occasions when Board decisions are required. With respect to regular meetings of the Board, Directors are given a formal written notice of the meeting and an agenda with supporting Board papers to the meeting in accordance with the Listing Rules and the CG Code. With respect to other meetings called, Directors are given as much notice as is reasonable and practicable in the circumstances. During the Reporting Period, the Board also resolved nine written resolutions by way of circulation. The attendance details of each Director during the Reporting Period are set out in the table below:

	Number of attendance/ Number of meetings	
Name of Director	**Written Resolutions**	**Regular Meeting**
Executive Directors		
Jiang Weiping *(Chairman)*	2/2	4/4
Li Changli *(Vice Chairman)* (resigned on 9 January 2012)	2/2	4/4
Jiang Deyi *(President)*	2/2	4/4
Shi Xijun	2/2	4/4
Wang Hongjun	2/2	4/4
Deng Guangjun	2/2	4/4
Non-executive Directors		
Zhou Yuxian (resigned on 30 March 2011)	0/0	1/1
Li Xinhua (appointed on 24 May 2011)	2/2	2/2
Independent non-executive Directors		
Hu Zhaoguang	2/2	4/4
Xu Yongmo	2/2	4/4
Zhang Chengfu	2/2	4/4
Yip Wai Ming	2/2	4/4

Board Committees

There are three Board committees under the Board, namely, the Audit Committee, the Remuneration and Nomination Committee and the Strategic Committee established to administer certain specified functions of the Company's affairs. Their terms of reference which set out, among other things, the duties, functions and composition of these committees are determined in accordance with the principles set out in the CG Code and are available on the Company's website. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to appoint legal advisors, accountants or other professionals to provide professional advice if necessary, at the Company's expenses.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee assumes the responsibilities for reviewing of the Company's financial reports, reviewing of internal control and corporate governance work and provision of relevant advices to the Board. The Audit Committee comprises four independent non-executive Directors and one non-executive Director, namely Zhang Chengfu (Chairman), Hu Zhaoguang, Xu Yongmo, Yip Wai Ming and Li Xinhua.

The major functions and roles of the Audit Committee are:

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

During the Reporting Period, the Audit Committee convened five meetings. The senior management and external auditors were invited to attend these meetings.

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

Name of Director	**Number of attendance/ Number of meetings**
Independent non-executive Directors	
Zhang Chengfu *(Chairman)*	5/5
Hu Zhaoguang	5/5
Xu Yongmo	5/5
Yip Wai Ming	5/5
Non-executive Directors	
Zhou Yuxian (resigned on 30 March 2011)	1/1
Li Xinhua (appointed on 24 May 2011)	2/2

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

- review of the external auditors' report in respect of the audited financial statements, annual report and results announcement for the year ended 31 December 2010;

- the proposed appointment of Ernst & Young as the Company's International auditor and Beijing Xinghua Certified Public Accountants as the Company's domestic auditor and Beijing Xinghua Certified Public Accountants as the Company's domestic auditor for the year ended 31 December 2011;

- review of the 2011 interim report and interim results announcement;

- review of the internal control system of the Group with the discussion of the internal auditors;

- review of the internal control memorandum;
- review of the Company's audit planning report prepared by Ernst & Young for the year ended 31 December 2011; and
- review of the connected transactions and continuing connected transactions of the Group.

This Annual Report and annual results announcement of the Company for the Reporting Period have been reviewed by the Audit Committee during the meeting convened on 27 March 2012.

Remuneration and Nomination Committee

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

During the Reporting Period, the Remuneration and Nomination Committee convened one meeting on 30 March 2011. Key resolutions considered and approved at the meeting were:

a. The resolution of determining the remuneration of executive Directors of the Board of the Company by the Remuneration and Nomination Committee;

b. The proposals to the Board on 2010 Performance-based Remuneration Plan for the Company's senior management and 2011 Remuneration Plan; and

c. The consideration and review on the proposed appointment of Li Xinhua as the non-executive Director of the Company.

The attendance details of the Remuneration and Nomination Committee members during the Reporting Period are as follows:

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

The work of the Remuneration and Nomination Committee during the Reporting Period included the recommendation for the appointment of senior management and their remuneration. As at the date of this Annual Report, the Remuneration and Nomination Committee had reviewed the remuneration packages in respect of the Directors and members of senior management of the Company for the Reporting Period as disclosed and considered that their respective remuneration packages were in line with the relevant requirements of the remuneration policy of the Company and were consistent with the annual performance appraisal results.

The biographical details of senior management are disclosed on pages 15 to 17 of this Annual Report.

Strategic Committee

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

During the Reporting Period, the Strategic Committee convened one meeting on 30 March 2011 with an attendance rate of 100% to review the investment and financing proposals of the Company for 2011.

3 Statement of Financial Responsibility of the Board

It is the responsibility of the Board for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, price-sensitive information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for (i) the preparation of the Company's financial statements; (ii) the completeness and legitimacy of the financial data; and (iii) the efficiency of the Company's internal control system and risk management process for the year ended 31 December 2011.

Management team shall provide such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information presented before the Board for approval. The Directors are responsible for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2011, the Directors have:

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

The interim and annual results of the Company are announced in a timely manner within the relevant limits of the Listing Rules after the end of the relevant reporting period.

The Company has received a statement by the independent international auditors of the Company about their reporting responsibilities. The statement of the independent international auditors of the Company on its reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 85 to 86 of this Annual Report.

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

4 Directors' and Supervisors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules and established the Securities Dealing Code for Management (管理層證券交易守則) as the Company's code of conduct and rules to govern dealings by all Directors in the securities of the Company. The Model Code is also applicable to the Supervisors, special employees and/or senior management of the Group who may have certain price sensitive data that has not been disclosed. The Model Code is delivered four times a year, namely, no less than 30 days prior to the Board meeting to approve the Company's interim and quarterly results and no less than 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors, the Supervisors and the specific employees who may have certain price sensitive information that they may not deal in the Shares until the publication of the results announcement.

The Company has also adopted the System on Managing Insides and External information (內幕資訊知情人和外部資使用人管理制度) and Securities Dealing Code for Management (管理層證券交易守則) for controlling and monitoring the relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Group or its securities.

All Directors confirmed that as at 31 December 2011, none of the Directors, the Supervisors and the specific employees who may have certain price sensitive information that has not been disclosed complied with the Model Code has interests or short positions which are required to notify the Company and the Stock Exchange, or incur any conduct in violation of regulations. Having made specific enquiries to all Directors and all Supervisors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the Report Period.

5 Internal Control and Audit

Internal Control

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

The Company's internal control system comprises a well established organisational structure and comprehensive policies and standards. Areas of responsibilities for each business and functional unit are clearly defined to ensure effective checks and balances. The procedures have been designed for safeguarding assets against any unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. The procedures have also been designed to ensure compliance with all applicable laws, rules and regulations. During the Reporting Period, the Company has carried out an overview on the effectiveness of the internal control system of the Company. The review covered all material controls, including financial, operational and compliance controls and risk management functions of the Company. No material internal control aspects of any significant problems were noted. Both the Audit Committee and the Board were satisfied that the internal control system of the Company had functioned effectively during the Reporting Period. With the completion of the corporate governance update project during the Reporting Period, the corporate governance of the Company was improved significantly, the transparency of the Company was further enhanced and the awareness of regulatory operation was continuously strengthened. During the Reporting Period, the Company continued to strengthen the management foundation and improve the steady and sound development of the Company in accordance with the requirements by regulatory authorities, so as to better protect the interests of shareholders of the Company.

The Board's Statement on Its Responsibility for Internal Control

The Board has conducted self-evaluation on the effectiveness of the design and implementation of the internal control of the Company as at 31 December 2011 pursuant to the requirements of fundamental standards, evaluation guidelines and other relevant laws and regulations.

1. During the Reporting Period, the Company had established and effectively implemented an internal control system covering all businesses and issues required for evaluation with no significant pitfalls. The Company managed to realize its goals of internal control. The Company's internal control system was proved to be effective.

2. From the benchmark date of the internal control evaluation report to the date of issuing the internal control evaluation report, there were no significant changes in internal control process which might impose any substantial impacts on the evaluation results.

Auditors' Remuneration

The Audit Committee reviewed the letter from Ernst & Young to confirm its independence and objectiveness, and held meetings with Ernst & Young to discuss the audit scope and fees by Ernst & Young. The Company engaged Ernst & Young as the international auditor and Beijing Xinghua Certified Public Accountants as the domestic auditor of the Company. The remuneration in respect of audit services provided by Ernst & Young and Beijing Xinghua Certified Public Accountants to the Company in 2011 is summarised as follows (no non-audit services was provided by Ernst & Young and Beijing Xinghua Certified Public Accountants in 2011):

	RMB'000
Annual results auditing service	
Ernst & Young	6,500
Beijing Xinghua Certified Public Accountants	5,200
Total	11,700

6 Communications with Shareholders

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

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

On behalf of the Board

Jiang Weiping
Chairman
Beijing, the PRC, 28 March 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of BBMG Corporation

(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of BBMG Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 199, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report *(continued)*

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

28 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	**2011 RMB'000**	2010 RMB'000 (Restated)
REVENUE	5	**27,410,640**	22,055,281
Cost of sales		**(20,479,456)**	(16,939,088)
Gross profit		**6,931,184**	5,116,193
Other income and gains	5	**1,843,802**	1,360,697
Fair value gains on investment properties, net		**898,220**	793,674
Selling and distribution costs		**(1,098,293)**	(857,140)
Administrative expenses		**(2,122,305)**	(1,572,480)
Other expenses		**(478,450)**	(202,021)
Finance costs	7	**(807,541)**	(360,831)
Share of profits and losses of:			
Jointly-controlled entities		**(38,979)**	(14,435)
Associates		**(7,793)**	(7,597)
PROFIT BEFORE TAX	6	**5,119,845**	4,256,060
Income tax expense	10	**(1,526,719)**	(1,265,310)
PROFIT FOR THE YEAR		**3,593,126**	2,990,750
Attributable to:			
Owners of the Company	11	**3,428,645**	2,755,658
Non-controlling interests		**164,481**	235,092
		3,593,126	2,990,750
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	**RMB0.81**	RMB0.71

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
PROFIT FOR THE YEAR		**3,593,126**	2,990,750
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**(23)**	(92)
Reclassification for gain on disposal		**–**	(6,677)
Income tax effect		**6**	1,692
		(17)	(5,077)
Gain on property revaluation		**–**	95,765
Income tax effect		**–**	(23,941)
		–	71,824
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(17)**	66,747
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,593,109**	3,057,497
Attributable to:			
Owners of the Company	11	**3,428,628**	2,822,405
Non-controlling interests		**164,481**	235,092
		3,593,109	3,057,497

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**15,542,388**	13,998,125	9,197,507
Investment properties	15	**11,599,000**	10,592,900	9,730,785
Land use rights	16	**2,764,960**	2,609,185	1,959,394
Goodwill	17	**312,052**	313,559	257,283
Other intangible assets	18	**45,590**	36,316	27,451
Mining rights	19	**478,557**	181,990	176,039
Prepayments	26	**30,620**	35,070	27,354
Investments in jointly-controlled entities	21	**117,489**	221,559	241,325
Investments in associates	22	**302,919**	312,645	325,827
Available-for-sale investments	23	**20,001**	21,351	33,877
Deferred tax assets	33	**736,018**	457,938	269,558
Total non-current assets		**31,949,594**	28,780,638	22,246,400
CURRENT ASSETS				
Inventories	24	**27,269,466**	20,994,435	10,716,325
Trade and bills receivables	25	**4,848,729**	3,253,521	2,128,511
Prepayments, deposits and other receivables	26	**4,444,984**	3,734,390	2,842,279
Taxes recoverable	31	**151,987**	78,811	91,320
Restricted cash	27	**2,792,008**	256,531	161,857
Cash and cash equivalents	27	**5,126,471**	5,030,592	6,272,065
		44,633,645	33,348,280	22,212,357
Non-current assets held for sale	36	**173,754**	–	155,962
Total current assets		**44,807,399**	33,348,280	22,368,319
CURRENT LIABILITIES				
Trade and bills payables	28	**5,435,953**	4,419,258	2,763,726
Other payables and accruals	29	**17,093,330**	12,785,448	8,861,916
Dividend payable		**33,196**	8,213	35,727
Interest-bearing bank loans	30	**14,890,985**	9,328,818	3,372,400
Taxes payable	31	**1,677,329**	1,258,099	729,713
Provision for supplementary pension subsidies and early retirement benefits	34	**43,456**	42,649	42,156
Total current liabilities		**39,174,249**	27,842,485	15,805,638
NET CURRENT ASSETS		**5,633,150**	5,505,795	6,562,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,582,744**	34,286,433	28,809,081

Consolidated Statement of Financial Position *(continued)*

31 December 2011

	Notes	**31 December 2011 RMB'000**	31 December 2010 RMB'000 (Restated)	1 January 2010 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	30	**7,772,597**	7,570,445	4,778,361
Corporate bonds and notes	32	**4,687,099**	4,684,792	1,879,184
Deferred tax liabilities	33	**2,234,701**	1,724,638	1,410,746
Provision for supplementary pension subsidies and early retirement benefits	34	**528,129**	540,533	562,841
Deferred income	35	**644,602**	678,251	664,170
Other non-current liabilities		**–**	140,292	140,292
Total non-current liabilities		**15,867,128**	15,338,951	9,435,594
Net assets		**21,715,616**	18,947,482	19,373,487
EQUITY				
Equity attributable to owners of the Company				
Issued capital	37	**4,283,737**	3,873,333	3,873,333
Reserves	38	**15,561,613**	12,892,521	13,359,459
Proposed final dividend	12	**308,429**	299,862	271,133
		20,153,779	17,065,716	17,503,925
Non-controlling interests		**1,561,837**	1,881,766	1,869,562
Total equity		**21,715,616**	18,947,482	19,373,487

Jiang Weiping
Director

Wang Hongjun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 37)	Share premium account RMB'000 (note 37)	Statutory reserve RMB'000 (note 38)	Merger reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011												
As previously reported	3,873,333	7,074,287	192,547	–	(2,122,447)	73,072	(2,742)	6,786,326	299,862	16,174,238	1,882,046	18,056,284
Business combination under common control and change of accounting policy	–	–	–	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)	73,072	(2,742)	6,862,688	299,862	17,065,716	1,881,766	18,947,482
Profit for the year	–	–	–	–	–	–	–	3,428,645	–	3,428,645	164,481	3,593,126
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	(17)	–	–	(17)	–	(17)
Total comprehensive income for the year	–	–	–	–	–	–	(17)	3,428,645	–	3,428,628	164,481	3,593,109
Issue of shares (note 37)	410,404	3,225,072	–	–	–	–	–	–	–	3,635,476	–	3,635,476
Acquisitions of non-controlling interests (note 39)	–	–	–	–	(2,803,156)	–	–	–	–	(2,803,156)	(890,485)	(3,693,641)
Distribution to the parent	–	–	–	–	(12,732)	–	–	–	–	(12,732)	11,104	(1,628)
Contributions from non-controlling shareholders	–	–	–	–	(5,043)	–	–	–	–	(5,043)	100,424	95,381
Deemed acquisition of non-controlling interests	–	–	–	–	865	–	–	–	–	865	(865)	–
Acquisitions of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	462,720	462,720
Business combination under common control (note 40)	–	–	–	(7,336)	(848,777)	–	–	–	–	(856,113)	–	(856,113)
Profit appropriation to reserves	–	–	148,332	–	–	–	–	(148,332)	–	–	–	
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(167,308)	(167,308)
Final 2010 dividend declared	–	–	–	–	–	–	–	–	(299,862)	(299,862)	–	(299,862)
Proposed 2011 final dividend (note 12)	–	–	–	–	–	–	–	(308,429)	308,429	–	–	–
At 31 December 2011	4,283,737	10,299,359*	340,879*	–*	(4,983,510)*	73,072*	(2,759)*	9,834,572*	308,429	20,153,779	1,561,837	21,715,616

* These reserve accounts comprise the consolidated reserves of RMB15,561,613 (2010: RMB12,892,521) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity *(continued)*

Year ended 31 December 2011

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 37)	Share premium account RMB'000 (note 37)	Statutory reserve RMB'000 (note 38)	Merger reserve RMB'000	Capital reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010												
As previously reported	3,873,333	7,074,287	1,115	1,452,992	(589,077)	1,248	2,335	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	1,248	2,335	4,598,324	271,133	17,503,925	1,869,562	19,373,487
Profit for the year	–	–	–	–	–	–	–	2,755,658	–	2,755,658	235,092	2,990,750
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	(5,077)	–	–	(5,077)	–	(5,077)
Gain on property revaluation, net of tax	–	–	–	–	–	71,824	–	–	–	71,824	–	71,824
Total comprehensive income for the year	–	–	–	–	–	71,824	(5,077)	2,755,658	–	2,822,405	235,092	3,057,497
Distribution to the parent	–	–	–	–	(34,245)	–	–	–	–	(34,245)	–	(34,245)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	161,560	161,560
Acquisitions of non-controlling interests	–	–	–	–	(1,114)	–	–	–	–	(1,114)	(370,360)	(371,474)
Acquisitions of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	34,173	34,173
Business combination under common control (note 40)	–	–	–	(1,452,992)	(1,501,130)	–	–	–	–	(2,954,122)	–	(2,954,122)
Profit appropriation to reserves	–	–	191,432	–	–	–	–	(191,432)	–	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(48,261)	(48,261)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(271,133)	(271,133)	–	(271,133)
Proposed 2010 final dividend (note 12)	–	–	–	–	–	–	–	(299,862)	299,862	–	–	–
At 31 December 2010 (Restated)	3,873,333	7,074,287*	192,547*	7,336*	(1,314,667)*	73,072*	(2,742)*	6,862,688*	299,862	17,065,716	1,881,766	18,947,482

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,119,845**	4,256,060
Adjustments for:			
Finance costs	7	**807,541**	360,831
Share of profits and losses of jointly-controlled entities		**38,979**	14,435
Share of profits and losses of associates		**7,793**	7,597
Interest income	5	**(72,257)**	(25,939)
Depreciation	6	**1,009,737**	782,441
Impairment of items of property, plant and equipment	6	**90,577**	39,827
Impairment of trade receivables, net	6	**16,623**	21,909
Impairment of other receivables, net	6	**38,132**	12,412
Impairment of inventories	6	**22,585**	1,749
Impairment of goodwill	6	**1,507**	–
Amortisation of land use rights	6	**66,245**	46,149
Amortisation of other intangible assets	6	**4,557**	3,196
Amortisation of mining rights	6	**14,297**	6,762
Gain on disposal of items of property, plant and equipment, net	6	**(17,544)**	(7,764)
Gain on disposal of investment properties	6	**(21,171)**	(79,846)
Gain on disposal of land use rights	6	**(309,571)**	(177,037)
Gain on disposal of jointly-controlled entities	6	**–**	(52,126)
Gain on disposal of an associate	5	**(11)**	–
Release of deferred income	5	**(53,305)**	(50,567)
Gain on disposal of available-for-sale investments	6	**(824)**	(5,957)
Fair value gain from remeasurement of the assets and liabilities of a jointly-controlled entity at the date it changed into a subsidiary	41	**(349,142)**	–
Changes in fair value of investment properties		**(898,220)**	(793,674)
		5,516,373	4,360,458
Increase in inventories		**(3,732,347)**	(9,928,621)
Increase in trade and bills receivables		**(1,563,424)**	(998,741)
(Increase)/decrease in prepayments, deposits and other receivables		**265,952**	(103,059)
Increase in restricted cash		**(2,521,531)**	(94,674)
Increase in trade and bills payables		**955,868**	1,512,644
Increase in other payables and accruals		**1,529,638**	2,135,335
Decrease in provision for supplementary pension subsidies and early retirement benefits		**(11,597)**	(21,815)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Cash generated from/(used in) operations		**438,932**	(3,138,473)
Interest received		**72,257**	25,939
Interest paid		**(494,471)**	(304,948)
Government grants received	35	**27,987**	86,798
Corporate income tax paid		**(1,070,148)**	(607,628)
Land appreciation tax paid		**(169,749)**	(53,358)
Net cash flows used in operating activities		**(1,195,192)**	(3,991,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,303,132)**	(5,252,188)
Additions of investment properties		**(90,400)**	(110,366)
Additions of land use rights		**(168,930)**	(196,056)
Additions of other intangible assets	18	**(6,913)**	(12,061)
Additions of mining rights	19	**(56,922)**	(1,894)
Purchases of unlisted shares		**(9,721)**	(10,000)
Acquisitions of subsidiaries, net of cash acquired	41	**(424,126)**	(497,832)
Proceeds from disposal of items of property, plant and equipment		**137,808**	306,849
Proceeds from disposal of listed shares		**–**	15,074
Proceeds from disposal of unlisted shares		**11,873**	2,227
Proceeds from disposal of land use rights		**324,282**	85,786
Proceeds from disposal of investment properties		**126,203**	290,527
Proceeds from disposal of jointly-controlled entities		**–**	88,290
Proceeds from disposal of associates		**1,404**	4,142
Dividends received from associates		**540**	–
Dividends received from jointly-controlled entities		**643**	618
Repayment from a jointly-controlled entity		**–**	56,951
Interest paid		**(44,199)**	(16,823)
Net cash flows used in investing activities		**(2,501,590)**	(5,246,756)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses	37	**(58,165)**	–
Net proceeds from issue of bonds	32	–	2,800,000
Advance from a jointly-controlled entity		–	510,029
New bank loans		**17,246,983**	16,518,892
Repayment of bank loans		**(11,832,243)**	(7,849,090)
Interest paid		**(867,264)**	(333,323)
Deemed distributions to the parent	40	**(3,120)**	(3,807,114)
Dividends paid to equity holders of the Company		**(274,696)**	(271,133)
Dividends paid to non-controlling shareholders		**(54,159)**	(48,261)
Increase/(decrease) in the amount due from the Parent		**(390,557)**	464,817
Capital contributions from non-controlling shareholders		**26,750**	11,950
Acquisition of non-controlling interests		–	(1,398)
Net cash flows from financing activities		**3,793,529**	7,995,369
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**96,747**	(1,243,057)
Cash and cash equivalents at beginning of year		**5,030,592**	6,272,065
Effect of foreign exchange rate changes, net		**(868)**	1,584
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,126,471**	5,030,592
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**4,706,020**	5,011,965
Non-pledged time deposits with original maturity of less than three months when acquired	27	**420,451**	18,627
		5,126,471	5,030,592

Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,273,416**	996,959
Investment properties	15	**6,853,600**	6,332,400
Land use rights	16	**488,816**	502,632
Investments in subsidiaries	20	**17,787,987**	13,496,629
Investments in jointly-controlled entities	21	**161,720**	161,720
Investments in associates	22	**321,618**	321,618
Available-for-sale investments	23	**13,608**	7,080
Total non-current assets		**26,900,765**	21,819,038
CURRENT ASSETS			
Trade and bills receivables	25	**194,432**	–
Prepayments, deposits and other receivables	26	**14,072,669**	12,652,480
Restricted cash	27	**–**	5,000
Cash and cash equivalents	27	**2,067,666**	2,091,138
		16,334,767	14,748,618
Non-current assets held for sale		**173,754**	–
Total current assets		**16,508,521**	14,748,618
CURRENT LIABILITIES			
Trade and bills payables	28	**–**	50,000
Dividend payable		**33,196**	8,213
Other payables and accruals	29	**5,162,761**	3,871,805
Interest-bearing bank loans	30	**11,780,500**	6,940,000
Taxes payable	31	**3,826**	18,281
Provision for supplementary pension subsidies and early retirement benefits	34	**40,009**	39,224
Total current liabilities		**17,020,292**	10,927,523
NET CURRENT ASSETS/(LIABILITIES)		**(511,771)**	3,821,095
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,388,994**	25,640,133

Statement of Financial Position *(continued)*

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	30	**3,865,000**	5,110,000
Corporate bonds and notes	32	**4,687,099**	4,684,792
Deferred tax liabilities	33	**996,644**	852,157
Provision for supplementary pension subsidies and early retirement benefits	34	**504,999**	515,148
Total non-current liabilities		**10,053,742**	11,162,097
Net assets		**16,335,252**	14,478,036
EQUITY			
Issued capital	37	**4,283,737**	3,873,333
Reserves	38	**11,743,086**	10,304,841
Proposed final dividend	12	**308,429**	299,862
Total equity		**16,335,252**	14,478,036

Jiang Weiping
Director

Wang Hongjun
Director

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

BBMG Corporation (the "Company") was established in the People's Republic of China (the "PRC") on 22 December 2005 as a joint stock company with limited liability. The Company's "H" shares and "A" shares have been listed at The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Shanghai Stock Exchange from 29 July 2009 and 1 March 2011 onwards, respectively. 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 (collectively referred to as the "Group") are principally engaged in the manufacture and sale of cement and modern building materials, property development, property investment, and the provision of property management services.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The acquisitions of subsidiaries not under common control have been accounted for using the acquisition method of accounting. This method of accounting involves allocating the consideration transferred for a business combination, which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Under the acquisition method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to Financial Statements

31 December 2011

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

The financial statements of the Company have been prepared assuming the Company will continue as a going concern notwithstanding net current liabilities of the Company as at 31 December 2011 amounting to RMB511,771,000. The directors are of the opinion that, taking into account the existing banking facilities available to the Company as at 31 December 2011 and the distributable profits of the Company's subsidiaries as at 31 December 2011, the Company will have sufficient financial resources to finance its working capital and capital expenditure requirements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKRS 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

Other than as further described below, the adoption of these new and revised HKFRSs did not have any material effect on the financial position or performance of the Group.

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 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 1 January 2010 and 31 December 2010 of RMB78,686,000 and RMB67,164,000, respectively. The effect on the consolidated income statement for the year ended 31 December 2011 was to increase costs and expenses of RMB5,270,000 (2010: RMB11,522,000).

Notes to Financial Statements

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKFRS 1 – *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19(2011)	*Employee Benefits*[4]
HKAS 27(2011)	*Separate Financial Statements*[4]
HKAS 28(2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities

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

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

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

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

Associates

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity whether any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	3% to 5%
Plant and machinery	6%
Furniture, fixtures and office equipment	19%
Motor vehicles	10% to 12%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

Property under construction or development for future use as an investment property is classified as investment property under construction. Such properties under construction are measured initially at cost, including translation cost, and stated at fair value, subsequent to initial recognition, at each reporting date when fair value can be determined reliably. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be reliably determined or construction is completed.

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

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

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

Computer software

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

Research and development costs

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

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

Others

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

Mining rights

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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

Subsequent measurement

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

Loans and receivables

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

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

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

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity cost is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value of financial instruments

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

Inventories

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

Properties under development

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

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

Completed properties held for sale

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

Cash and cash equivalents

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

Government grants

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

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

(c) from the rendering of services, on the percentage of completion basis;

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

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

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

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

Employee benefits

Pension obligations

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension obligations *(continued)*

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

Termination and early retirement benefits

Termination and early retirement benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. When funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.58% and 5.56% has been applied to the expenditure on the individual assets.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Notes to Financial Statements

31 December 2011

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

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

Notes to Financial Statements

31 December 2011

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

Estimation uncertainty

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

PRC land appreciation tax

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

PRC corporate income tax

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

Deferred tax assets

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

Fair value of investment properties

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

Notes to Financial Statements

31 December 2011

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

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

Recognition and allocation of construction costs on properties under development

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

Impairment provision of trade and other receivables

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

Notes to Financial Statements

31 December 2011

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

Estimation uncertainty *(continued)*

White-down of inventories to net realisable value

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

Supplementary and early retirement benefits

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

Useful lives of property, plant and equipment

The property, plant and equipment are depreciated on a straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related depreciation charges for its items of property, plant and equipment. The estimation is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions with consideration of expected technology renovation. Depreciation charges may be adjusted if there are significant changes in prior assumptions and estimation.

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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 Mainland China, and no non-current assets of the Group are located outside Mainland China.

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

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Cement RMB'000	Modern building materials RMB'000	Property development RMB'000	Property investment and management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	12,796,375	4,987,498	8,279,405	1,347,362	27,410,640
Intersegment sales	22,403	391,334	–	23,569	437,306
Total revenue	12,818,778	5,378,832	8,279,405	1,370,931	27,847,946
Reconciliation:					
Elimination of intersegment sales					(437,306)
Revenue					27,410,640
Segment results	2,009,117	321,595	2,325,219	1,526,796	6,182,727
Reconciliation:					
Elimination of intersegment results					(938)
Interest income					44,539
Corporate and unallocated expenses, net					(298,942)
Finance costs					(807,541)
Profit before tax					5,119,845
Other segment information					
Share of profits and losses of jointly-controlled entities	–	(33,011)	(7,191)	1,223	(38,979)
Share of profits and losses of associates	(3,226)	(4,567)	–	–	(7,793)
Fair value gains on investment properties, net	–	76,500	14,900	806,820	898,220
Impairment losses recognised in the income statement, net	96,509	16,349	–	56,566	169,424
Depreciation and amortisation	845,852	103,458	8,107	137,419	1,094,836
Investments in jointly-controlled entities	–	103,054	10,000	4,435	117,489
Investments in associates	19,634	283,285	–	–	302,919
Capital expenditure*	1,948,234	313,199	22,307	741,746	3,025,486

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

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010

	Cement RMB'000 (Restated)	Modern building materials RMB'000 (Restated)	Property development RMB'000 (Restated)	Property investment and management RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue:					
Sales to external customers	9,925,990	4,004,453	6,964,045	1,160,793	22,055,281
Intersegment sales	20,786	268,448	–	51,944	341,178
Total revenue	9,946,776	4,272,901	6,964,045	1,212,737	22,396,459
Reconciliation:					
Elimination of intersegment sales					(341,178)
Revenue					22,055,281
Segment results	1,523,273	416,068	1,681,248	1,115,962	4,736,551
Reconciliation:					
Elimination of intersegment results					(21,065)
Interest income					24,768
Corporate and unallocated expenses, net					(123,363)
Finance costs					(360,831)
Profit before tax					4,256,060
Other segment information					
Share of profits and losses of jointly-controlled entities	–	(14,510)	(639)	714	(14,435)
Share of profits and losses of associates	565	(8,162)	–	–	(7,597)
Fair value gains on investment properties, net	–	69,100	25,400	699,174	793,674
Impairment losses recognised in the income statement, net	72,558	3,174	–	165	75,897
Depreciation and amortisation	623,540	105,458	13,009	96,541	838,548
Investments in jointly-controlled entities	–	136,064	81,640	3,855	221,559
Investments in associates	22,860	289,785	–	–	312,645
Capital expenditure*	4,913,714	285,483	11,520	596,040	5,806,757

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

Notes to Financial Statements

31 December 2011

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Revenue		
Sale of goods	**16,429,354**	12,806,603
Sale of properties	**8,281,072**	7,028,105
Gross rental income from investment properties	**646,584**	503,088
Property management fees	**421,388**	363,646
Rendering of services	**921,260**	832,535
Industrial waste processing	**273,131**	196,256
Hotel operations	**270,402**	216,784
Others	**167,449**	108,264
	27,410,640	22,055,281
Other income and gains		
Gross rental income from lease of plant and machinery	**138,179**	141,227
Gain on disposal of items of property, plant and equipment	**30,816**	35,717
Gain on disposal of land use rights	**309,571**	177,037
Gain on disposal of investment properties	**92,665**	79,846
Fair value gain from remeasurement of the assets and liabilities of a jointly-controlled entity at the date it changed into a subsidiary (note 41)	**349,142**	–
Fair value gains, net		
– Available-for-sale investments (transfer from equity on disposal)	**–**	5,957
Gain on disposal of jointly-controlled entities	–	52,126
Gain on disposal of an associate	**11**	–
Gain on disposal of unlisted shares	**824**	–
Bank interest income	**44,539**	24,768
Other interest income	**27,718**	1,171
Relocation compensation	**12,187**	24,841
Government grants*		
– Release of deferred income (note 35)	**53,305**	50,567
– Value-added tax refund	**395,247**	568,276
– Others	**85,060**	38,984
Service fee income	**77,915**	30,332
Waiver of other payables	**81,145**	44,252
Others	**145,478**	85,596
	1,843,802	1,360,697

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

Notes to Financial Statements

31 December 2011

6. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Cost of inventories sold		**18,038,928**	15,097,282
Cost of services provided		**2,440,528**	1,841,806
Depreciation	14	**1,009,737**	782,441
Impairment of items of property, plant and equipment**	14	**90,577**	39,827
Impairment of trade receivables, net	25	**16,623**	21,909
Impairment of other receivables, net	26	**38,132**	12,412
Impairment of inventories		**22,585**	1,749
Impairment of goodwill**	17	**1,507**	–
Amortisation of land use rights	16	**66,245**	46,149
Amortisation of other intangible assets*	18	**4,557**	3,196
Amortisation of mining rights	19	**14,297**	6,762
Research and development costs		**69,042**	50,436
Gain on disposal of items of property, plant and equipment, net		**(17,544)**	(7,764)
Gain on disposal of investment properties, net		**(21,171)**	(79,846)
Gain on disposal of land use rights	5	**(309,571)**	(177,037)
Gain on disposal of jointly-controlled entities	5	**–**	(52,126)
Gain on disposal of an associate	5	**(11)**	–
Gain on disposal of unlisted shares	5	**(824)**	–
Release of deferred income	35	**(53,305)**	(50,567)
Fair value gains, net			
– Available-for-sale investments (transfer from equity on disposal)		**–**	(5,957)
Minimum lease payments under operating leases:			
Plant and machinery		**82,918**	87,268
Land and buildings		**92,272**	80,967
		175,190	168,235
Auditors' remuneration		**11,700**	11,300
Employee benefit expense (including directors' and supervisors' remuneration):			
Wages and salaries		**1,165,255**	824,351
Pension scheme contributions (defined contribution schemes)***		**326,810**	179,211
Supplementary pension subsidies and early retirement benefits	34	**24,716**	15,094
Welfare and other expenses		**142,217**	87,297
		1,658,998	1,105,953
Foreign exchange differences, net		**1,138**	5,085
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	15	**99,984**	51,508

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

** The impairment of property, plant and equipment and goodwill are included in "Other expenses" on the face of the consolidated income statement.

*** At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

Notes to Financial Statements

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7. FINANCE COSTS

An analysis of finance costs is as follows

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Interest on bank loans	**1,107,373**	573,014
Interest on corporate bonds and notes	**238,837**	109,588
Less: Interest capitalised	**(538,669)**	(321,771)
	807,541	360,831

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2011	2010
	RMB'000	RMB'000
Fees	**580**	596
Other emoluments:		
Salaries, allowances and benefits in kind	**1,300**	1,543
Performance related bonuses	**2,285**	2,794
Pension scheme contributions	**100**	146
	3,685	4,483
	4,265	5,079

Notes to Financial Statements

31 December 2011

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

The remuneration of each of the directors and supervisors for the year ended 31 December 2011 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Jiang Weiping	–	107	60	8	175
Mr. Li Changli	–	95	60	8	163
Mr. Jiang Deyi	–	238	523	19	780
Mr. Shi Xijun	–	72	138	8	218
Mr. Wang Hongjun	–	151	506	19	676
Mr. Deng Guangjun	–	152	506	19	677
Non-executive directors:					
Mr. Zhou Yuxian	40	–	–	–	40
Mr. Li Xinhua	40	–	–	–	40
Independent non-executive directors:					
Mr. Hu Zhaoguang	125	–	–	–	125
Mr. Zhang Chengfu	125	–	–	–	125
Mr. Xu Yongmo	125	–	–	–	125
Mr. Yip Wai Ming	125	–	–	–	125
Supervisors:					
Mr. Wang Xiaoqun	–	154	90	–	244
Mr. Sheng Guihua	–	32	93	–	125
Mr. Ma Weixin	–	50	–	–	50
Mr. Hu Jingshan	–	50	–	–	50
Mr. Zhang Jie	–	50	–	–	50
Ms. Hong Ye	–	–	–	–	–
Ms. Fan Xiaolan	–	33	10	–	43
Mr. Wang Youbin	–	116	299	19	434
	580	1,300	2,285	100	4,265

Notes to Financial Statements

31 December 2011

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

The remuneration of each of the directors and supervisors for the year ended 31 December 2010 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Jiang Weiping	–	242	400	18	660
Mr. Li Changli	–	242	350	18	610
Mr. Jiang Deyi	–	216	454	25	695
Mr. Shi Xijun	–	202	330	18	550
Mr. Wang Hongjun	–	132	488	24	644
Mr. Deng Guangjun	–	132	466	25	623
Non-executive director:					
Mr. Zhou Yuxian	80	–	–	–	80
Independent non-executive directors:					
Mr. Hu Zhaoguang	129	–	–	–	129
Mr. Zhang Chengfu	129	–	–	–	129
Mr. Xu Yongmo	129	–	–	–	129
Mr. Yip Wai Ming	129	–	–	–	129
Supervisors:					
Mr. Wang Xiaoqun	–	110	90	–	200
Mr. Chen Changying	–	–	–	–	–
Mr. Ma Weixin	–	25	–	–	25
Mr. Hu Jingshan	–	50	–	–	50
Mr. Zhang Jie	–	50	–	–	50
Ms. Hong Ye	–	–	–	–	–
Ms. Fan Xiaolan	–	49	15	–	64
Mr. Wang Youbin	–	93	201	18	312
	596	1,543	2,794	146	5,079

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

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9. FIVE HIGHEST PAID EMPLOYEES

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

	Number of employees	
	2011	2010
Directors and supervisors	**–**	–
Non-director and non-supervisor employees	**5**	5
	5	5

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

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,052**	1,641
Performance related bonuses	**3,088**	2,725
Pension scheme contributions	**78**	72
	5,218	4,438

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

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**5**	4
	5	5

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10. INCOME TAX

	Group 2011 RMB'000	2010 RMB'000 (Restated)
Current:		
PRC corporate income tax ("CIT")	**1,118,013**	876,813
PRC land appreciation tax ("LAT")	**449,836**	328,822
	1,567,849	1,205,635
Deferred (note 33)	**(41,130)**	59,675
Total tax charge for the year	**1,526,719**	1,265,310

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

	2011 RMB'000	%	2010 RMB'000 (Restated)	%
Profit before tax	**5,119,845**		4,256,060	
Tax at the statutory tax rate	**1,279,961**	**25.0**	1,064,015	25.0
Income not subject to tax	**(204,512)**	**(4.0)**	(85,385)	(2.0)
Expenses not deductible for tax	**31,512**	**0.6**	44,539	1.0
Preferential tax rates or concessions	**(40,818)**	**(0.8)**	(36,381)	(0.8)
Profits and losses attributable to jointly-controlled entities and associates	**11,693**	**0.2**	5,508	0.1
Tax losses utilised from previous years	**(14,907)**	**(0.3)**	(16,054)	(0.4)
Tax losses not recognised	**126,413**	**2.5**	42,451	1.0
Land appreciation tax	**449,836**	**8.8**	328,822	7.7
Effect of land appreciation tax	**(112,459)**	**(2.2)**	(82,205)	(1.9)
Tax charge at the Group's effective rate	**1,526,719**	**29.8**	1,265,310	29.7

Notes to Financial Statements

31 December 2011

10. INCOME TAX *(continued)*

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the year (2010: Nil).

PRC CIT

The Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the year ended 31 December 2011 (2010: 25%) under the income tax rules and regulations of the PRC, except that certain subsidiaries are subject to preferential rates or tax exemption as approved by the relevant tax bureaus.

The share of tax attributable to jointly-controlled entities amounting to RMB414,000 (2010: RMB472,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

The share of tax attributable to associates amounting to RMB3,331,000 (2010: RMB2,655,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

PRC LAT

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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of RMB1,525,846,000 (2010: RMB1,582,420,000) which has been dealt with in the financial statements of the Company.

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12. DIVIDENDS

	2011	2010
	RMB'000	RMB'000
Proposed final – RMB0.072 (2010: RMB0.07) per ordinary share	**308,429**	299,862

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

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

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**3,428,645**	2,755,658

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,224,144,069**	3,873,332,500

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2011, net of accumulated depreciation and impairment (restated)	6,459,771	4,917,439	198,684	442,812	182,078	1,797,341	13,998,125
Additions	198,848	260,339	70,606	68,628	27,707	1,916,213	2,542,341
Transfers	1,142,541	1,598,342	2,375	3,305	202	(2,746,765)	–
Classified as non-current assets held for sale	(92,000)	–	–	–	–	–	(92,000)
Disposals	(68,998)	(40,074)	(1,203)	(8,275)	–	(1,714)	(120,264)
Depreciation	(316,927)	(504,286)	(61,626)	(80,551)	(46,347)	–	(1,009,737)
Impairment	(16,956)	(70,739)	(1,786)	(344)	–	(752)	(90,577)
Acquisition of subsidiaries (note 41)	134,762	153,974	7,726	16,550	–	1,488	314,500
At 31 December 2011, net of accumulated depreciation and impairment	7,441,041	6,314,995	214,776	442,125	163,640	965,811	15,542,388

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

Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010, net of accumulated depreciation and impairment (restated)	4,191,542	3,015,344	129,929	305,814	69,171	1,485,707	9,197,507
Additions (restated)	924,839	779,859	58,572	171,782	114,654	3,384,359	5,434,065
Transfers (restated)	1,479,519	1,547,032	36,745	301	11,160	(3,074,757)	–
Transfer from investment properties	20,400	–	–	–	–	–	20,400
Transfer to investment properties	(25,496)	(1,722)	–	–	–	–	(27,218)
Disposals (restated)	(120,784)	(127,208)	(3,704)	(21,647)	–	(25,742)	(299,085)
Depreciation (restated)	(258,454)	(424,271)	(23,873)	(62,936)	(12,907)	–	(782,441)
Impairment	(25,506)	(12,082)	(18)	(2,221)	–	–	(39,827)
Acquisition of subsidiaries (restated) (note 41)	295,397	140,564	1,033	51,836	–	27,774	516,604
Distribution to the Parent	(21,686)	(77)	–	(117)	–	–	(21,880)
At 31 December 2010, net of accumulated depreciation and impairment (restated)	6,459,771	4,917,439	198,684	442,812	182,078	1,797,341	13,998,125
At 31 December 2011:							
Cost	**9,399,632**	**9,462,699**	**469,975**	**787,308**	**224,892**	**987,234**	**21,331,740**
Accumulated depreciation and impairment	**(1,958,591)**	**(3,147,704)**	**(255,199)**	**(345,183)**	**(61,252)**	**(21,423)**	**(5,789,352)**
Net carrying amount	**7,441,041**	**6,314,995**	**214,776**	**442,125**	**163,640**	**965,811**	**15,542,388**
At 31 December 2010:							
Cost (restated)	7,956,000	7,571,868	347,220	691,005	205,523	1,818,012	18,589,628
Accumulated depreciation and impairment (restated)	(1,496,229)	(2,654,429)	(148,536)	(248,193)	(23,445)	(20,671)	(4,591,503)
Net carrying amount (restated)	6,459,771	4,917,439	198,684	442,812	182,078	1,797,341	13,998,125

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

Company

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2011, net of accumulated depreciation	**349,791**	**36,550**	**47,472**	**13,470**	**549,676**	**996,959**
Additions	**7,665**	**38**	**788**	**999**	**397,189**	**406,679**
Transfers	**589,629**	**355,744**	**376**	**–**	**(945,749)**	**–**
Classified as non-current assets held for sale	**(92,000)**	**–**	**–**	**–**	**–**	**(92,000)**
Disposals	**–**	**(8,904)**	**(8)**	**–**	**–**	**(8,912)**
Depreciation	**(11,485)**	**(12,549)**	**(2,612)**	**(2,664)**	**–**	**(29,310)**
At 31 December 2011, net of accumulated depreciation	**843,600**	**370,879**	**46,016**	**11,805**	**1,116**	**1,273,416**
At 1 January 2010, net of accumulated depreciation	219,390	18,656	4,328	7,680	316,070	566,124
Additions	–	10,294	36,460	6,259	424,203	477,216
Transfers	170,086	12,660	7,851	–	(190,597)	–
Transfer to investment properties	(25,496)	(1,722)	–	–	–	(27,218)
Disposals	–	(1,153)	(430)	(120)	–	(1,703)
Depreciation	(14,189)	(2,185)	(737)	(349)	–	(17,460)
At 31 December 2010, net of accumulated depreciation	349,791	36,550	47,472	13,470	549,676	996,959
At 31 December 2011:						
Cost	**903,116**	**407,916**	**51,215**	**19,488**	**1,116**	**1,382,851**
Accumulated depreciation	**(59,516)**	**(37,037)**	**(5,199)**	**(7,683)**	**–**	**(109,435)**
Net carrying amount	**843,600**	**370,879**	**46,016**	**11,805**	**1,116**	**1,273,416**
At 31 December 2010:						
Cost	397,822	62,683	50,209	18,489	549,676	1,078,879
Accumulated depreciation	(48,031)	(26,133)	(2,737)	(5,019)	–	(81,920)
Net carrying amount	349,791	36,550	47,472	13,470	549,676	996,959

As at 31 December 2011 and 2010, certain property, plant and equipment of the Group and the Company were pledged to secure the loans granted to the Group and the Company (note 43).

As at the date of approval of these financial statements, the Group and the Company are in the process of applying for or changing the registration of the title certificates for certain of their buildings.

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15. INVESTMENT PROPERTIES

Group

	2011 RMB'000	2010 RMB'000 (Restated)
Carrying amount at beginning of year (restated)	**10,592,900**	9,730,785
Additions	**213,370**	110,365
Transfer from inventory	**81,296**	–
Transfer from property, plant and equipment	**–**	122,983
Transfer from land use rights	**–**	21,319
Transfers to property, plant and equipment	**–**	(20,400)
Disposals	**(105,032)**	(165,826)
Classified as non-current assets held for sale	**(81,754)**	–
Net gain from a fair value adjustment	**898,220**	793,674
Carrying amount at end of year	**11,599,000**	10,592,900

	2011 RMB'000	2010 RMB'000 (Restated)
Located in Mainland China and held under the following lease terms:		
Medium term	**11,599,000**	10,592,900

Company

	2011 RMB'000	2010 RMB'000
Carrying amount at beginning of year	**6,332,400**	5,652,320
Additions	**122,970**	110,366
Transfer from property, plant and equipment	**–**	122,983
Transfer from land use rights	**–**	21,319
Disposals	**(71,886)**	(12,627)
Classified as non-current assets held for sale	**(81,754)**	–
Net gain from a fair value adjustment	**551,870**	438,039
Carrying amount at end of year	**6,853,600**	6,332,400

Notes to Financial Statements

31 December 2011

15. INVESTMENT PROPERTIES *(continued)*

	2011 **RMB'000**	2010 RMB'000
Located in Mainland China and held under the following lease terms:		
Medium term	**6,853,600**	6,332,400

The Group's investment properties were revalued on 31 December 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately RMB11,599,000,000 (2010: RMB10,592,900,000) on an open market, existing use basis.

The Company's investment properties were revalued on 31 December 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately RMB6,853,600,000 (2010: RMB6,332,400,000) on an open market, existing use basis.

Certain investment properties of the Group and the Company were pledged to banks to secure the loans granted to the Group and the Company (note 43).

As at 31 December 2011, the Group are in the process of changing the registration of the title certificates for certain of its investment properties.

Certain of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 44(a). The gross rental income received and receivable by the Group and direct expenses in respect of these investment properties are summarised as follows:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Gross rental income	**646,584**	503,088
Direct expenses	**(99,984)**	(51,508)
Net rental income	**546,600**	451,580

Notes to Financial Statements

31 December 2011

16. LAND USE RIGHTS

Group

	2011 RMB'000	2010 RMB'000 (Restated)
Carrying amount at beginning of year (restated)	**2,664,874**	1,997,095
Additions	**205,940**	248,372
Acquisition of subsidiaries (note 41)	**149,904**	524,680
Amortisation recognised during the year	**(66,245)**	(46,149)
Contribution from parent	**16,656**	–
Transfer to investment properties	**–**	(21,319)
Disposals	**(14,711)**	(37,805)
Transfer to inventories	**(125,479)**	–
Carrying amount at end of year	**2,830,939**	2,664,874
Current portion included in prepayments, deposits and other receivables (note 26)	**(65,979)**	(55,689)
Non-current portion	**2,764,960**	2,609,185
Located in Mainland China and held under the following lease terms:		
Long term	**77,477**	32,134
Medium term	**2,753,462**	2,632,740
	2,830,939	2,664,874

Notes to Financial Statements

31 December 2011

16. LAND USE RIGHTS *(continued)*

Company

	2011 **RMB'000**	2010 RMB'000
Carrying amount at beginning of year	**516,354**	465,169
Transfer from subsidiaries	**–**	85,939
Amortisation recognised during the year	**(13,769)**	(13,435)
Transfer to investment properties	**–**	(21,319)
Carrying amount at end of year	**502,585**	516,354
Current portion included in prepayments, deposits and other receivables (note 26)	**(13,769)**	(13,722)
Non-current portion	**488,816**	502,632
Located in Mainland China and held under the following lease terms:		
Medium term	**502,585**	516,354

The Group's and the Company's certain land use rights were pledged to banks for securing the bank loans granted to the Group and the Company (note 43).

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

Notes to Financial Statements

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17. GOODWILL

Group

	2011 **RMB'000**	2010 RMB'000
Cost at beginning of year	**313,559**	257,283
Acquisition of subsidiaries (note 41)	**–**	56,276
Impairment during the year	**(1,507)**	–
At end of year	**312,052**	313,559

Impairment testing of goodwill

Goodwill acquired through business combinations in the amounts of approximately RMB189,816,000, RMB52,567,000, RMB56,276,000 and RMB10,931,000 have been allocated to Luquan BBMG Dingxin Cement Co., Ltd. ("Dingxin Cement") cash-generating unit, Hebei Taihang Cement Limited (the "Taihang Cement") cash-generating unit, Handan Shexian BBMG Cement Co., Ltd. ("Shexian") cash-generating unit and Zhenxing Cement Co., Ltd. ("Zhenxing Cement") cash-generating unit, respectively, which are under the cement segment, for impairment testing.

The recoverable amounts of the Dingxin Cement, Taihang Cement, Shexian and Zhenxing Cement cash-generating units have been determined based on a value in use calculation using a cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 13% (2010: 13%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2% (2010: 3%).

Key assumptions were used in the value in use calculation of the Dingxin Cement, Taihang Cement, Shexian and Zhenxing Cement cash-generating units at 31 December 2011 and 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, and the discount rates reflect past experience of the management and external information sources.

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18. OTHER INTANGIBLE ASSETS

Group

	Computer software RMB'000	Trademarks RMB'000	Others RMB'000	Total RMB'000
31 December 2011				
Cost at 1 January 2011, net of accumulated amortisation	**19,575**	**16,670**	**71**	**36,316**
Additions	**6,913**	**–**	**–**	**6,913**
Acquisition of subsidiaries (note 41)	**488**	**–**	**6,430**	**6,918**
Amortisation provided during the year	**(3,562)**	**–**	**(995)**	**(4,557)**
At 31 December 2011	**23,414**	**16,670**	**5,506**	**45,590**
At 31 December 2011:				
Cost	**35,344**	**16,670**	**10,834**	**62,848**
Accumulated amortisation	**(11,930)**	**–**	**(5,328)**	**(17,258)**
Net carrying amount	**23,414**	**16,670**	**5,506**	**45,590**
31 December 2010 (restated)				
Cost at 1 January 2010, net of accumulated amortisation	10,615	16,670	166	27,451
Additions	11,989	–	72	12,061
Amortisation provided during the year	(3,029)	–	(167)	(3,196)
At 31 December 2010	19,575	16,670	71	36,316
At 31 December 2010:				
Cost	27,911	16,670	2,341	46,922
Accumulated amortisation	(8,336)	–	(2,270)	(10,606)
Net carrying amount	19,575	16,670	71	36,316

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19. MINING RIGHTS

Group

	2011 RMB'000	2010 RMB'000 (Restated)
Cost at beginning of year, net of accumulated amortisation	**181,990**	176,039
Additions	**56,922**	1,894
Acquisition of subsidiaries (note 41)	**253,942**	10,819
Amortisation provided during the year	**(14,297)**	(6,762)
At end of year	**478,557**	181,990
Cost	**516,801**	205,937
Accumulated amortisation	**(38,244)**	(23,947)
Net carrying amount	**478,557**	181,990

20. INVESTMENTS IN SUBSIDIARIES

Company

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**17,787,987**	13,411,574
Listed shares, at cost (note 39)	**–**	85,055
	17,787,987	13,496,629

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20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations and type of legal entity	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Liulihe Cement Co., Ltd. (北京市琉璃河水泥有限公司)	PRC Limited liability company	RMB600,000,000	100%	–	Manufacture and sale of cement
BBMG Mangrove Environment Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限責任公司)	PRC Limited liability company	RMB150,000,000	100%	–	Hazard waste treatment
Beijing Cement Plant Co., Ltd. (北京水泥廠有限責任公司)	PRC Limited liability company	RMB963,462,800	100%	–	Manufacture and sale of cement
Beijing Chinefarge Cement Co., Ltd. (北京興發水泥有限公司) (note 41)	PRC Limited liability company	RMB315,000,000	100%	–	Manufacture and sale of cement
BBMG Property Management Co., Ltd. (北京金隅物業管理有限責任公司)	PRC Limited liability company	RMB10,000,000	100%	–	Property management
BBMG GEM Property Development Co., Ltd. (北京金隅嘉業房地產開發有限公司)	PRC Limited liability company	RMB2,000,000,000	100%	–	Property development
BBMG (Hangzhou) Property Development Co., Ltd. (金隅(杭州)房地產開發有限公司)	PRC Limited liability company	RMB600,000,000	–	100%	Property development
Beijing Gaoling Property Development Co., Ltd. (北京高嶺房地產開發有限公司)	PRC Limited liability company	RMB100,000,000	100%	–	Property rental and property management
Beijing Tiantan Co., Ltd. (北京天壇股份有限公司)	PRC Limited liability company	RMB87,094,469	93%	–	Manufacture and sale of furniture
Beijing Star Building Materials Co., Ltd. (北京星牌建材有限責任公司)	PRC Limited liability company	RMB314,967,696	100%	–	Manufacture and sale of building materials

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20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ registration and operations and type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Jinyu Jiaqi Concrete Co., Ltd. (北京金隅加氣混凝土有限責任公司)	PRC Limited liability company	RMB40,000,000	100%	–	Manufacture and sale of concrete
Beijing Tongda Refractory Technology Co., Ltd. (北京通達耐火技術股份有限公司)	PRC Limited liability company	RMB125,326,315	57%	–	Manufacture and sale of refractory material
Beijing Buildings Materials Academy Co., Ltd. (北京建築材料科學研究總院有限公司)	PRC Limited liability company	RMB120,000,000	100%	–	Manufacture and sale of building materials
Beijing Xiliu Building Materials Co., Ltd. (北京市西六建材有限公司)	PRC Limited liability company	RMB111,603,941	100%	–	Manufacture and sale of bricks
Beijing Architectural Coating Co., Ltd. (北京市建築塗料廠有限責任公司)	PRC Limited liability company	RMB24,440,626	100%	–	Manufacture and sale of paints
Beijing Xiang Brand Walling Materials Co., Ltd. (北京市翔牌牆體材料有限公司)	PRC Limited liability company	RMB40,437,954	100%	–	Manufacture and sale of bricks
Beijing Woodworking Factory Co., Ltd. (北京市木材廠有限責任公司)	PRC Limited liability company	RMB54,556,261	100%	–	Manufacture and trading of building materials
Beijing Jinhaiyan Assets Management Co., Ltd. (北京金海燕資產經營有限責任公司)	PRC Limited liability company	RMB82,923,553	100%	–	Property rental and property management
Beijing Jianji Assets Management Co., Ltd. (北京建機資產經營有限公司)	PRC Limited liability company	RMB62,733,947	100%	–	Property rental and property management
Hebei Taihang Huaxin Building Materials. Co., Ltd ("Taihang Huaxin") (河北太行華信建材有限公司) **	PRC Limited liability company	RMB228,000,000	33.33%	–	Manufacture and sale of limestone
Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司)	PRC Limited liability company	RMB558,110,190	60.64%	–	Manufacture and sale of cement
Tianjin BBMG Concrete Co., Ltd. (天津金隅混凝土有限公司)	PRC Limited liability company	RMB237,337,800	85%	–	Manufacture and sale of concrete

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20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ registration and operations and type of legal entity	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing BBMG Cement Trading Co., Ltd. (北京金隅水泥經貿有限公司)	PRC Limited liability company	RMB50,000,000	100%	–	Sale of cement
Beijing Architectural Decoration Design and Engineering Co., Ltd. (北京市建築裝飾設計工程有限公司)	PRC Limited liability company	RMB85,000,000	100%	–	Design and Decoration
Beijing BBMG Dacheng Property Development Co., Ltd. (北京金隅大成開發有限公司)	PRC Limited liability company	RMB1,500,000,000	100%	–	Property development
BBMG Shunfa Lafarge Cement Co., Ltd. (北京金隅順發水泥有限公司) (note 41)	PRC Limited liability company	RMB150,000,000	100%	–	Manufacture and sale of cement
BBMG Vanke Property Development Co., Ltd. (北京金隅萬科房地產開發有限公司) (note 41)	PRC Limited liability company	RMB190,000,000	–	51%	Property development
BBMG Dingxin Cement Co., Ltd. (鹿泉金隅鼎鑫水泥有限公司)	PRC Limited liability company	RMB1,300,000,000	100%	–	Manufacture and sale of cement
BBMG Fengshan Hot Spring Resort Co., Ltd. (北京金隅鳳山溫泉度假村有限公司)	PRC Limited liability company	RMB199,989,143	100%	–	Hotel operation

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

Note:

** The Company acquired a 33.33% equity interest in Taihang Huaxin from a third party in July 2008. By virtue of an entrustment arrangement dated 26 July 2008 entered into between the Company and the Parent, the Parent entrusted its holding of a 66.67% equity interest in Taihang Huaxin to the Company. As a result, the Company has the power to govern the financial and operating policies of Taihang Huaxin and Taihang Huaxin has been accounted for as a subsidiary of the Company since July 2008.

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

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21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2011 RMB'000	2010 RMB'000 (Restated)
Share of net assets	**117,489**	282,954
Unrealised profit of sales to a jointly-controlled entity (note)	**–**	(61,395)
	117,489	221,559

Company

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**161,720**	161,720

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

Company name	Place of registration	Registered share capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
BBMG Zhaode Property Development Co., Ltd. * (北京金隅昭德置業有限公司)	PRC	RMB20,000,000.00	50%	50%	50%	Property development
STAR-USG Building Materials Co., Ltd. (星牌優時吉建築材料有限公司)	PRC	US$46,520,000	50%	50%	50%	Manufacture and sale of building materials

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

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

The Group's balances with the jointly-controlled entities are disclosed in note 46(b).

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

Note:

Prior to 29 July 2011, the Group held 51% of the equity interests in BBMG Vanke Property Development Co., Ltd. ("BBMG Vanke") and accounted for it as a jointly-controlled entity by using the equity method. Effective from 29 July 2011, the Group has obtained the control over BBMG Vanke and BBMG Vanke became a subsidiary of the Group. An unrealised profit of sales to BBMG Vanke was released to the consolidated income statement upon the combination of BBMG Vanke.

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**160,193**	190,849
Current assets	**74,460**	1,249,287
Current liabilities	**(117,164)**	(989,335)
Non-current liabilities	**–**	(167,847)
Net assets	**117,489**	282,954

	2011	2010
	RMB'000	RMB'000
		(Restated)
Share of the jointly-controlled entities' results:		
Revenue	**139,273**	106,487
Other revenue	**2,662**	934
Total revenue	**141,935**	107,421
Total expenses	**(180,500)**	(121,384)
Tax	**(414)**	(472)
Loss after tax	**(38,979)**	(14,435)

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22. INVESTMENTS IN ASSOCIATES

Group

	2011 **RMB'000**	2010 RMB'000 (Restated)
Share of net assets	**308,388**	318,114
Provision for impairment	**(5,469)**	(5,469)
	302,919	312,645

Company

	2011 **RMB'000**	2010 RMB'000
Unlisted equity investments, at cost	**363,824**	363,824
Provision for impairment	**(42,206)**	(42,206)
	321,618	321,618

Particulars of the principal associates are as follows:

Company name	Place of registration	Registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Krono (Beijing) Woods Co., Ltd. (柯諾(北京)木業有限公司)	PRC	US$57,380,000	30%	Manufacture and sale of wooden building materials
Zehnder (China) Indoor Climate Co., Ltd. (formerly known as Beijing Zehnder Radiators Co., Ltd.) (森德(中國)暖通設備有限公司)	PRC	US$27,500,000	27%	Manufacture of anti-heat materials
OCV Reinforcements (Beijing) Co., Ltd. (formerly known as Beijing Saint-Gobain Glass Wool Co., Ltd.) (歐文斯科寧複合材料(北京)有限公司)	PRC	RMB276,003,336	20%	Manufacture of fibre-glass materials
Beijing Gaoqiang Concrete Co., Ltd.* (北京市高強混凝土有限責任公司)	PRC	RMB54,999,866	25%	Manufacture of concrete

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

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22. INVESTMENTS IN ASSOCIATES *(continued)*

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

The Group's balances with the associates are disclosed in note 46(b).

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Assets	**1,973,412**	1,928,411
Liabilities	**843,408**	784,957
Revenues	**1,499,107**	1,530,798
Profit/(loss)	**1,168**	(8,121)

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
PRC listed equity investments, at fair value	**95**	133	**–**	–
Unlisted equity investments, at cost	**19,906**	21,218	**13,608**	7,080
	20,001	21,351	**13,608**	7,080

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB23,000 (2010: RMB92,000), of which RMBNil (2010: RMB6,677,000) was reclassified from other comprehensive income to the income statement for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments are equity securities issued by private entities established in the PRC. As at 31 December 2011, unlisted equity investments with a carrying amount of RMB19,906,000 (2010: RMB21,218,000) were stated at cost less impairment because the range of reasonable fair value estimate is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Notes to Financial Statement

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24. INVENTORIES

Group

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Raw materials		**1,058,113**	835,313
Work in progress		**651,914**	318,532
Finished goods		**506,705**	499,574
Trading stock		**332,481**	198,145
		2,549,213	1,851,564
Properties under development	(a)	**21,100,182**	16,931,143
Completed properties held for sale	(b)	**3,620,071**	2,211,728
		24,720,253	19,142,871
		27,269,466	20,994,435

(a) Properties under development

	2011 RMB'000	2010 RMB'000 (Restated)
Properties under development expected to be recovered:		
Within one year	**15,479,622**	13,780,448
After one year	**5,620,560**	3,150,695
	21,100,182	16,931,143

The Group's properties under development were located in Mainland China and certain properties under development were pledged to banks for securing the loans granted to the Group (note 43).

(b) Completed properties held for sale

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

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25. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade receivables	**3,860,369**	2,991,832	**–**	–
Bills receivable	**1,347,906**	627,001	**194,432**	–
Less: Impairment	**(359,546)**	(365,312)	**–**	–
	4,848,729	3,253,521	**194,432**	–

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, considerations 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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.

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Within 6 months	**2,124,822**	1,599,211
7 to 12 months	**1,117,075**	731,615
1 to 2 years	**216,315**	219,044
2 to 3 years	**29,769**	30,373
Over 3 years	**12,842**	46,277
	3,500,823	2,626,520

Notes to Financial Statement

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25. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2011 RMB'000	2010 RMB'000 (Restated)
At beginning of year	**365,312**	336,580
Impairment losses recognised (note 6)	**45,853**	35,551
Acquisition of subsidiaries	**4,728**	16,394
Amount written off as uncollectible	**(27,117)**	(9,571)
Impairment losses reversed (note 6)	**(29,230)**	(13,642)
At end of year	**359,546**	365,312

Included in the above provision for impairment of trade receivables of the Group is a provision for individually impaired trade receivables of RMB60,806,000 as at 31 December 2011 (2010: RMB39,225,000) with a carrying amount before provision of RMB97,762,000 (2010: RMB77,355,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	2011 RMB'000	2010 RMB'000 (Restated)
Neither past due nor impaired	**712,102**	717,353
Past due but not impaired:		
Less than 3 months past due	**1,345,074**	856,184
3 to 6 months past due	**859,946**	397,917
Over 6 months past due	**402,187**	359,372
	3,319,309	2,330,826

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

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

Notes to Financial Statement

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Prepayments	**1,463,403**	1,103,501	**–**	–
Deposits	**471,011**	560,441	**–**	–
Due from subsidiaries	**–**	–	**13,994,826**	12,122,187
Due from the Parent and its subsidiaries excluding the Group (the "Parent Group")	**20,346**	410,903	**20,346**	382,720
Due from jointly-controlled entities	**80,432**	69,621	**58,389**	30,380
Current portion of land use rights (note 16)	**65,979**	55,689	**13,769**	13,722
Other receivables	**2,497,193**	1,653,933	**47,696**	108,911
Impairment	**(122,760)**	(84,628)	**(62,357)**	(5,440)
	4,475,604	3,769,460	**14,072,669**	12,652,480
Portion classified as non-current asset – prepayments	**(30,620)**	(35,070)	**–**	–
Current portion	**4,444,984**	3,734,390	**14,072,669**	12,652,480

Except for the amounts due from jointly-controlled entities of RMB56,531,000 (2010: RMB30,380,000), which bear interest at market rates, the above balances are unsecured, interest-free and have no fixed terms of repayment.

Included in the above provision for impairment of other receivables of the Group is a provision for individually impaired other receivables of RMB55,401,000 as at 31 December 2011 (2010: RMB32,252,000) with a carrying amount before provision of RMB75,085,000 (2010: RMB35,766,000).

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Cash and bank balances		**7,498,028**	5,268,496	**2,067,666**	2,096,138
Time deposits		**420,451**	18,627	**–**	–
		7,918,479	5,287,123	**2,067,666**	2,096,138
Less: Restricted cash	(a)	**(2,792,008)**	(256,531)	**–**	(5,000)
		5,126,471	5,030,592	**2,067,666**	2,091,138
Denominated in RMB	(b)	**7,899,295**	5,257,541	**2,053,956**	2,076,079
Denominated in other currencies		**19,184**	29,582	**13,710**	20,059
		7,918,479	5,287,123	**2,067,666**	2,096,138

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27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(continued)*

Notes:

(a) Restricted cash includes the following amounts:

(i) As at 31 December 2011, the Group's bank balances of RMB235,509,000 (2010: RMB77,478,000) were pledged as guarantees for certain mortgage loans to customers by banks.

(ii) As at 31 December 2011, the Group's bank balances held in dedicated bank accounts under the name of the Group of RMB108,982,000 (2010: RMB179,053,000), were pledged as guarantees for the issuance of bank acceptance notes to suppliers.

(iii) In accordance with relevant documents issued by the local government, certain property development companies are required to place the pre-sale proceeds of properties received in designated bank accounts for the constructions of related properties. The deposits can only be used for purchases of construction materials and payments of the construction fee of the relevant property projects. Such deposits will be released according to the completion status of the related properties. As at 31 December 2011, the Group's bank balances in the designated bank accounts were RMB2,447,517,000 (2010: Nil)

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

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

28. TRADE AND BILLS PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade payables	**5,074,137**	4,094,175	**–**	–
Bills payable	**361,816**	325,083	**–**	50,000
	5,435,953	4,419,258	**–**	50,000

The trade and bills 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 third parties.

Notes to Financial Statement

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28. TRADE AND BILLS PAYABLES *(continued)*

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within 3 months	**2,214,703**	2,146,321	**–**	–
4 to 6 months	**828,708**	490,539	**–**	–
7 to 12 months	**839,141**	577,635	**–**	–
1 to 2 years	**824,326**	661,450	**–**	–
2 to 3 years	**106,009**	105,164	**–**	–
Over 3 years	**261,250**	113,066	**–**	–
	5,074,137	4,094,175	**–**	–

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Advance deposits from customers	**12,277,326**	7,744,830	**205,731**	102,147
Accruals	**2,690,410**	2,439,129	**239,427**	–
Due to subsidiaries	**–**	–	**3,920,762**	3,016,401
Due to jointly-controlled entities	**91,201**	555,637	**–**	–
Current portion of deferred income (note 35)	**53,265**	44,934	–	–
Other provisions	**118,836**	81,476	**–**	–
Other payables	**1,862,292**	1,919,442	**796,841**	753,257
	17,093,330	12,785,448	**5,162,761**	3,871,805

As at 31 December 2011, the above balances are non-interest-bearing and have no fixed terms of repayment. The amounts due to a jointly-controlled entity of RMB510,029,000 as at 31 December 2010 bears interest at market rates.

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30. INTEREST-BEARING BANK LOANS

Group

	2011			2010		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans – secured (note 43(a))	5.85-7.22	2012	489,850	4.78-5.31	2011	19,000
Bank loans – guaranteed	5.56-7.22	2012	637,470	4.78-5.81	2011	778,892
Bank loans – unsecured	3.31-7.22	2012	10,159,541	4.37-5.31	2011	6,270,000
Current portion of long term bank loans – secured (note 43(a))	5.18-6.80	2012	397,704	4.86-6.05	2011	897,500
Current portion of long term bank loans – guaranteed	4.50-6.40	2012	1,506,420	3.59-7.56	2011	1,363,426
Current portion of long term bank loans – unsecured	4.86-5.04	2012	1,700,000	–	–	–
			14,890,985			9,328,818
Non-current						
Bank loans – secured (note 43(a))	5.18-7.54	2013-2019	1,956,837	4.86-6.05	2012-2019	784,625
Bank loans – guaranteed	5.00-6.40	2013-2015	2,121,760	4.86-6.14	2012-2015	3,385,820
Bank loans – unsecured	4.86-6.65	2013	3,694,000	4.86-5.00	2012-2013	3,400,000
			7,772,597			7,570,445
			22,663,582			16,899,263

As at 31 December 2011, included in the above guaranteed bank loans are loans of RMB683,570,000 (2010: RMB1,564,692,000) guaranteed by the Parent, and loans of RMB3,582,080,000 (2010: RMB3,963,446,000) guaranteed by the Company and its subsidiaries.

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

Company

	2011			2010		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**6.94-7.22**	**2012**	**230,000**	–	–	–
Bank loans – unsecured	**5.23-6.89**	**2012**	**9,730,500**	4.37-5.00	2011	6,200,000
Current portion of long term bank loans – secured	**5.18-5.18**	**2012**	**120,000**	4.86-5.18	2011	740,000
Current portion of long term bank loans – unsecured	**4.86-5.00**	**2012**	**1,700,000**	–	–	–
			11,780,500			6,940,000
Non-current						
Bank loans – secured (note 43(b))	**5.18-7.32**	**2013-2015**	**1,015,000**	4.86-5.60	2012-2015	560,000
Bank loans – guaranteed	**5.00-5.00**	**2015**	**1,150,000**	5.00	2015	1,150,000
Bank loans – unsecured	**4.86-4.86**	**2013**	**1,700,000**	4.86-5.00	2012-2013	3,400,000
			3,865,000			5,110,000
			15,645,500			12,050,000

As at 31 December 2011, the Company's loans of RMB1,150,000,000 (2010: RMB1,150,000,000) are guaranteed by a subsidiary.

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**14,890,985**	9,328,818	**11,780,500**	6,940,000
In the second year	**5,000,500**	2,785,625	**2,250,000**	1,970,000
In the third to fifth years, inclusive	**2,565,097**	4,565,820	**1,615,000**	3,140,000
Beyond five years	**207,000**	219,000	**–**	–
	22,663,582	16,899,263	**15,645,500**	12,050,000

All bank loans are denominated in RMB.

Certain bank loans are secured by the Group's assets, details of which are disclosed in note 43.

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31. TAXES RECOVERABLE/TAXES PAYABLE

(a) Taxes recoverable

Group

	2011	2010
	RMB'000	RMB'000
		(Restated)
Prepaid LAT	**31,731**	13,412
Prepaid CIT	**120,256**	65,399
	151,987	78,811

(b) Taxes payable

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
CIT payable	**767,822**	665,833	**–**	–
LAT payable	**909,507**	592,266	**3,826**	18,281
	1,677,329	1,258,099	**3,826**	18,281

32. CORPORATE BONDS AND NOTES

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

The Company issued notes of RMB2.0 billion and RMB0.8 billion (the "Notes") to independent third parties in Mainland China in September 2010 and December 2010, respectively. The Notes are unsecured, with term of five years, and bear interest at fixed interest rates of 4.38% and 5.85% per annum, respectively. The interests are paid annually.

The corporate bonds and notes are stated at amortised cost at the end of the reporting period.

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33. DEFERRED TAX

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

Group

	Depreciation allowance in excess of related depreciation RMB'000	Provision for impairment of assets RMB'000	Revaluation of properties RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Provision for LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011 (restated)	**(258,678)**	**106,214**	**(1,262,715)**	**(123,986)**	**146,612**	**125,853**	**(1,266,700)**
Credited/(charged) to the consolidated income statement during the year (note 10)	**(48,029)**	**30,918**	**(195,122)**	**65,899**	**77,714**	**109,750**	**41,130**
Acquisition of subsidiaries (note 41)	**–**	**39**	**–**	**(273,158)**	**–**	**–**	**(273,119)**
Deferred tax debited to equity during the year	**–**	**–**		**–**	**–**	**6**	**6**
At 31 December 2011	**(306,707)**	**137,171**	**(1,457,837)**	**(331,245)**	**224,326**	**235,609**	**(1,498,683)**

	Depreciation allowance in excess of related depreciation RMB'000 (Restated)	Provision for impairment of assets RMB'000 (Restated)	Revaluation of properties RMB'000 (Restated)	Fair value adjustments arising from acquisition of subsidiaries RMB'000 (Restated)	Provision for LAT RMB'000 (Restated)	Others RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 January 2010	(213,956)	93,995	(1,058,543)	(76,149)	63,141	50,324	(1,141,188)
Credited/(charged) to the consolidated income statement during the year (note 10)	(44,722)	5,966	(180,231)	2,004	83,471	73,837	(59,675)
Acquisition of subsidiaries (note 41)	–	6,253	–	(49,841)	–	–	(43,588)
Deferred tax debited to equity during the year	–	–	(23,941)	–	–	1,692	(22,249)
At 31 December 2010	(258,678)	106,214	(1,262,715)	(123,986)	146,612	125,853	(1,266,700)

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33. DEFERRED TAX *(continued)*

	2011 RMB'000	2010 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**736,018**	457,938
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,234,701)**	(1,724,638)
	(1,498,683)	(1,266,700)

Company

	Depreciation allowance in excess of related depreciation RMB'000	**Revaluation of properties RMB'000**	**Provision for LAT RMB'000**	**Total RMB'000**
At 1 January 2011	**(115,747)**	**(740,980)**	**4,570**	**(852,157)**
Charged to the income statement during the year	**(26,311)**	**(114,562)**	**(3,614)**	**(144,487)**
At 31 December 2011	**(142,058)**	**(855,542)**	**956**	**(996,644)**

	Depreciation allowance in excess of related depreciation RMB'000	Revaluation of properties RMB'000	Provision for LAT RMB'000	Total RMB'000
At 1 January 2010	(84,392)	(607,529)	12,313	(679,608)
Charged to the income statement during the year	(31,355)	(109,510)	(7,743)	(148,608)
Charged to the capital reserve during the year	–	(23,941)	–	(23,941)
At 31 December 2010	(115,747)	(740,980)	4,570	(852,157)

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33. DEFERRED TAX *(continued)*

Deferred tax assets have not been recognized in respect of the following items:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Tax losses	**916,094**	489,595	**373,002**	91,102
Deductible temporary differences	**222,708**	222,921	**61,909**	5,440
	1,138,802	712,516	**434,911**	96,542

The above tax losses will expire in one to five years for offsetting against future taxable profits of the Group and the Company in which the losses arose. Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. PROVISION FOR SUPPLEMENTARY PENSION SUBSIDIES AND EARLY RETIREMENT BENEFITS

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

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Present value of unfunded defined benefit obligations	**590,437**	583,980	**556,880**	550,864
Unrecognised net actuarial gains/(losses)	**(18,852)**	(798)	**(11,872)**	3,508
Net liabilities arising from defined benefit obligations	**571,585**	583,182	**545,008**	554,372
Portion classified as current liabilities	**(43,456)**	(42,649)	**(40,009)**	(39,224)
Non-current portion	**528,129**	540,533	**504,999**	515,148

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
At beginning of year	**583,980**	595,848	**550,864**	559,743
Interest cost	**22,633**	23,005	**21,419**	21,764
Actuarial losses during the year	**20,138**	12,322	**15,380**	10,921
Benefits paid during the year	**(36,314)**	(36,896)	**(30,783)**	(31,265)
Past service cost	**–**	(10,299)	**–**	(10,299)
At end of year	**590,437**	583,980	**556,880**	550,864

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Interest cost	**22,633**	23,005	**21,419**	21,764
Past service cost	**–**	(10,299)	**–**	(10,299)
Actuarial loss	**2,083**	2,388	**–**	–
Net expenses	**24,716**	15,094	**21,419**	11,465
Recognised in administrative expenses (note 6)	**24,716**	15,094	**21,419**	11,465

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

	2011	2010
	RMB'000	RMB'000
		(Restated)
Discount rate	**3.50%-4.00%**	4.00%
Early retirees' salary increase rate	**10.00%**	10.00%
Supplemental benefits increase rate	**2.50%**	2.50%

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35. DEFERRED INCOME

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

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

Group

	2011	2010
	RMB'000	RMB'000
		(Restated)
Carrying amount at beginning of year (restated)	**723,185**	686,954
Additions during the year	**27,987**	86,798
Released to the income statement during the year (note 5)	**(53,305)**	(50,567)
Carrying amount at end of year	**697,867**	723,185
Current portion included in other payables and accruals (note 29)	**(53,265)**	(44,934)
Non-current portion	**644,602**	678,251

36. NON-CURRENT ASSETS HELD FOR SALE

In December 2011, the Group entered into an agreement with the Dongcheng District State Taxation Bureau, pursuant to which the Group conditionally agreed to sell certain properties to Dongcheng District State Taxation Bureau with total carrying amount of RMB173,754,000. No impairment loss was recognised for changes of fair value less costs to sell of the non-current assets held for sale since their carrying amounts are lower than their fair values less costs to sell. The transfer of the properties will be completed in 2012.

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37. ISSUED CAPITAL

	2011 RMB'000	2010 RMB'000
Registered, issued and fully paid:		
Unlisted domestic and foreign shares of RMB1.00 each (note (ii))	–	2,703,950
H shares of RMB1.00 each	**1,169,383**	1,169,383
A shares of RMB1.00 each, restricted (note (i), (iii))	**2,798,226**	–
A shares of RMB1.00 each, unrestricted (note (i))	**316,128**	–
	4,283,737	3,873,333

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

	Number of shares in issue						
	Unlisted shares '000	H shares '000	A shares '000	Total '000	Issued capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2010 and 31 December 2010	2,703,950	1,169,383	–	3,873,333	3,873,333	7,074,287	10,947,620
At 1 January 2011	**2,703,950**	**1,169,383**	**–**	**3,873,333**	**3,873,333**	**7,074,287**	**10,947,620**
Issue of A shares (note (i))	**–**	**–**	**410,404**	**410,404**	**410,404**	**3,225,072**	**3,635,476**
Conversion (note (ii))	**(2,703,950)**	**–**	**2,703,950**	**–**			
At 31 December 2011	**–**	**1,169,383**	**3,114,354**	**4,283,737**	**4,283,737**	**10,299,359**	**14,583,096**

Notes:

(i) On 6 July 2010, the Company and Hebei Taihang Cement Co., Ltd. ("Taihang Cement") entered into an agreement in respect of the merger of Taihang Cement with the Group (the "Merger of Taihang Cement"). For the purpose of the Merger of Taihang Cement which was completed in February 2011, the Company issued 410,404,560 A shares of the Company (the "Consideration Shares") at RMB9 per share in exchange for the shares of Taihang Cement held by the non-controlling shareholders of Taihang Cement at an exchange ratio of 1.2 Consideration Shares of the Company for 1 share of Taihang Cement. The difference of RMB3,225,072,000 between the total consideration of RMB3,693,641,000 net of the share issue costs of RMB58,165,000 and the issued share capital of RMB410,404,000 was recognised in the share premium account in the Group's consolidated financial statements. Upon completion of the Merger of Taihang Cement, the shares of Taihang Cement were delisted from the Shanghai Stock Exchange on 18 February 2011 and the Consideration Shares of the Company were listed on the Shanghai Stock Exchange on 1 March 2011.

(ii) In connection with the listing of the A shares of the Company, the existing 2,365,470,065 unlisted domestic shares and 338,480,000 unlisted foreign shares of the Company were converted into A shares of the Company and traded on the Shanghai Stock Exchange on the same conditions and in all respects as those of the Consideration Shares, save for the statutory lock-up restrictions.

(iii) 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 unlisted domestic shares and unlisted foreign shares of 950,302,199 shares are subject to a lock-up period of 12 months. The holders of the shares of Taihang Cement that were originally subject to certain lock-up restrictions are now subject to the same lock-up restrictions after converting into the A shares of the Company.

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38. RESERVES

(a) Group

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

(b) Company

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

	Capital reserve RMB'000	Retained profits RMB'000	Statutory surplus reserve RMB'000	Total RMB'000
At 31 December 2009 and 1 January 2010	7,074,287	1,589,675	1,115	8,665,077
Total comprehensive income for the year	–	1,939,626	–	1,939,626
Profit appropriation to reserves	–	(191,432)	191,432	–
Proposed final 2010 dividend	–	(299,862)	–	(299,862)
At 31 December 2010	**7,074,287**	**3,038,007**	**192,547**	**10,304,841**
Issue of A shares (note 37(i))	**3,225,072**	**–**	**–**	**3,225,072**
Merger of Taihang Cement (note 39)	**(3,004,244)**	**–**	**–**	**(3,004,244)**
Total comprehensive income for the year	**–**	**1,525,846**	**–**	**1,525,846**
Profit appropriation to reserves	**–**	**(148,332)**	**148,332**	**–**
Proposed final 2011 dividend	**–**	**(308,429)**	**–**	**(308,429)**
At 31 December 2011	**7,295,115**	**4,107,092**	**340,879**	**11,743,086**

As at 31 December 2011, the capital reserve of the Company comprised share premium of RMB10,299,359,000 (2010: RMB7,074,287,000) and the debit reserve arising from the Merger of Taihang Cement was mentioned in note 39 to the financial statements.

Statutory surplus reserve

In accordance with the PRC Company Law, the Company and its subsidiaries are required to allocate 10% of its profit after tax, as determined in accordance with the Accounting Standards for Business Enterprises and other related regulations issued by the Ministry of Finance of the People's Republic of China applicable to the Company, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, the SSR may be either used to net off losses, or to be converted to increase share capital provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SSR cannot be used for purpose other than those for which they are created and are not distributable as cash dividends.

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39. MERGER OF TAIHANG CEMENT

Taihang Cement was previously a joint stock company listed on the Shanghai Stock Exchange. The Company and the Parent, through their respective holding of 33.33% and 66.67% equity interests in Taihang Huaxin, which in turn held 30% of the issued shares of Taihang Cement, indirectly held approximately 10% and 20% of the issued shares of Taihang Cement, respectively. By virtue of an entrustment agreement dated 26 July 2008 entered into between the Company and the Parent (the "Taihang Huaxin Entrustment"), the Parent entrusted its holding of the 66.67% equity interests in Taihang Huaxin to the Company. Therefore, the Company indirectly held approximately 30% voting rights of Taihang Cement. Since December 2009, the Group has obtained the control of Taihang Cement through the board of directors and Taihang Cement was accounted for as a subsidiary of the Group.

Pursuant to the "Approval of Change of State-owned Shareholders of Hebei Taihang Huaxin Building Materials Co., Ltd." (GuoZiChanQuan [2010] No. 471) issued by the State-owned Assets Supervision and Administration Commission of the State Council on 23 June 2010, the Parent, the Company and Taihang Huaxin completed an internal restructuring involving a distribution of the approximately 30% of the issued shares of Taihang Cement directly held by Taihang Huaxin to the Parent and the Company on a pro rata basis based upon their respective shareholdings in Taihang Huaxin. Upon the completion of the relevant registration of change of equity interest in Taihang Cement on 29 July 2010, the Parent and the Company directly held approximately 20% and 10% of the issued shares of Taihang Cement, respectively. At the same time, the Parent entrusted all its voting rights of Taihang Cement to the Company which, on the terms and conditions, are substantially similar to the Taihang Huaxin Entrustment. The Group's control of Taihang Cement kept unchanged after the internal restructuring.

As mentioned in note 37 to the consolidated financial statements, in February 2011, the Company issued 410,404,560 Consideration Shares in exchange for the shares of Taihang Cement held by the non-controlling shareholders of Taihang Cement, and Taihang Cement became a wholly-owned subsidiary of the Company. The difference of RMB2,803,156,000 between the total consideration of RMB3,693,641,000 and the carrying amount of the share of the 90% interests in Taihang Cement acquired of RMB890,485,000 was recognised directly in the capital reserve in the Group's consolidated financial statements. Upon completion of the Merger of Taihang Cement, (i) the shares of Taihang Cement were cancelled; (ii) Taihang Cement's assets were absorbed into and its liabilities were assumed by the Company; and (iii) Taihang Cement was deregistered and ceased to exist in April 2011 (the "Legal Merger of Taihang Cement"). In addition, the Company's A shares were listed on the Shanghai Stock Exchange on 1 March 2011 while its H shares continued to be listed on the Hong Kong Stock Exchange.

During the Legal Merger of Taihang Cement in April 2011, the assets and liabilities of Taihang Cement were recognised in the Company's statement of financial position based on their carrying amounts in the Group's consolidated financial statements. The difference of RMB3,004,244,000 between the carrying amount of Taihang Cement's net assets as at the date of deregistion and the Company's investment costs in Taihang Cement, including both the total consideration of RMB3,693,641,000 for the 90% equity interests and the original carrying amount of the Company's investment in Taihang Cement of RMB85,055,000, was recognised directly in equity.

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40. BUSINESS COMBINATION UNDER COMMON CONTROL

Pursuant to the acquisition agreements signed with the Parent in May 2010, the Group acquired a 67.5% equity interest in Crane (Beijing) Building Material Co., Ltd. ("Crane"), a 100% equity interest in Beijing Yuandong Jiemei Cleaning Services Company Limited ("Yuandong Jiemei") and a 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 the sale of building materials, while Yuandong Jiemei and Hongye are engaged in property investment and 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 the 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 consolidated financial statements presented or the date when they were first under the common control, where this 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 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.

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

The reconciliation of the effect arising from the common control combination on the consolidated statement 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) RMB'000	The acquired subsidiaries under common control RMB'000	(Note) Adjustments RMB'000	The Group (as restated) RMB'000
Current assets	33,262,478	47,738	38,064	33,348,280
Non-current assets	27,784,017	948,955	47,666	28,780,638
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

Notes to Financial Statement

31 December 2011

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

The reconciliation of the effect arising from the business combination under common control on the consolidated income statement and consolidated statement of cash flows for the year ended 31 December 2010 is as follows:

Year ended 31 December 2010:

	The Group excluding the acquired subsidiaries under common control (As previously reported)	**The acquired subsidiaries under common control**	(Note) **Adjustment**	**The Group (as restated)**
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	21,997,718	57,563	–	22,055,281
Profit for the year	2,951,377	50,896	(11,523)	2,990,750
Attributable to:				
Owners of the Company	2,716,292	50,889	(11,523)	2,755,658
Non-controlling interests	235,085	7	–	235,092
Net cash flows from operating activities	(3,563,791)	(427,879)	–	(3,991,670)
Net cash flows used in investing activities	(5,248,823)	2,067	–	(5,246,756)
Net cash flows from financing activities	7,571,369	424,000	–	7,995,369
Net increase in cash and cash equivalents	(1,241,245)	(1,812)	–	(1,243,057)

Note:

The above adjustments refer to the impact of change of accounting policy as explained in note 2.2 to the consolidated financial statements and elimination of intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions among the acquired subsidiaries and the Group.

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41. ACQUISITION OF SUBSIDIARIES

Acquisition of subsidiaries during the year ended 31 December 2011

During the year ended 31 December 2011, the Group acquired the following subsidiaries:

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

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

(iii) In July 2011, the Group acquired from a third party 100% equity interests of Yixian Tenghui Mineral building materials Company Limited ("Tenghui") at a cash consideration of RMB25,000,000. Tenghui is mainly engaged in the exploration and sale of limestone.

(iv) BBMG Vanke was previously a jointly-controlled entity of the Group. Pursuant to its revised Articles of Association as approved by the board of directors of BBMG Vanke on 29 July 2011, the Group obtained the control in BBMG Vanke and BBMG Vanke became a subsidiary of the Group. BBMG Vanke is engaged in property development.

Notes to Financial Statement

31 December 2011

41. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2011 *(continued)*

The 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			
	Chinefarge, Shunfa Lafarge and Faram	Hetian and Tenghui	BBMG Vanke	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	276,685	37,613	202	314,500
Mining rights	246,722	7,220	–	253,942
Land use rights	142,402	7,502	–	149,904
Other intangible assets	6,918	–	–	6,918
Deferred tax assets	–	–	39	39
Inventories	52,105	1,199	1,954,476	2,007,780
Trade and bills receivables	48,405	–	2	48,407
Prepayments, deposits and other receivables	5,024	3,532	1,482,470	1,491,026
Cash and cash equivalents	97,293	4,287	88,998	190,578
Restricted cash	2,907	–	11,039	13,946
Trade and bills payables	(51,278)	(810)	(8,739)	(60,827)
Other payables and accruals	(102,186)	(4,866)	(2,213,514)	(2,320,566)
Interest-bearing bank loans	–	–	(349,579)	(349,579)
Taxes payable	795	(62)	–	733
Deferred tax liabilities	(82,053)	(2,611)	(188,494)	(273,158)
	643,739	53,004	776,900	1,473,643
Non-controlling interests	(68,317)	(13,722)	(380,681)	(462,720)
	575,422	39,282	396,219	1,010,923
Satisfied by:				
Equity interests held before the combination	–	–	396,219	396,219
Cash and cash equivalents	575,422	39,282	–	614,704
	575,422	39,282	396,219	1,010,923

Notes to Financial Statement

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41. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2011 *(continued)*

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 Group held a 51% equity interest in BBMG Vanke immediately before obtaining the control of it. The Group remeasured the fair value of the equity interest at the date it became a subsidiary, a fair value gain of RMB349,142,000 was recognised in the consolidated income statement.

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to RMB48,407,000 and RMB1,491,026,000, respectively. The gross contractual amounts of the trade receivables and other receivables were RMB49,022,000 and RMB1,491,919,000, respectively, of which trade receivables of RMB615,000 and other receivables of RMB893,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB561,000 for the acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

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	(614,704)
Cash and bank balances acquired	190,578
Net outflow of cash and cash equivalents included in cash flows from investing activities	(424,126)
Transaction costs of the acquisition included in cash flows from operating activities	(561)
	(424,687)

Since the acquisition, the newly acquired subsidiaries made contribution of RMB1,552,618,000 to the Group's turnover and accounted for profit before tax of RMB489,468,000 to the consolidated profit before tax for the year ended 31 December 2011.

Had the combinations taken place on 1 January 2011, the consolidated revenue and consolidated profit before tax of the Group for the year 2011 would have been RMB27,415,158,000 and RMB5,090,679,000, respectively.

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41. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during the year ended 31 December 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 Tianjin Jinzhu Concrete Co., Ltd. ("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 the 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") at cash considerations of RMB24,047,000 and RMB181,679,000, respectively. Xucheng is mainly engaged in the manufacturing and sale of concrete and Shexian is mainly engaged in the manufacturing and sale of cement.

Pursuant to an agreement entered into with China Cinda Asset Management Corporation ("Cinda") dated 4 June 2010 and an equity transfer agreement with the Parent dated 31 May 2010, the Company acquired 66.12% and 33.88% equity interests in Beijing Cement Plant Co., Ltd. ("BJ Cement") from Cinda and the Parent at considerations of approximately RMB623,656,000 and RMB319,562,000, respectively. The transfers of equity interests in BJ Cement were completed on 31 December 2010. The cash consideration for the 33.88% equity interests has been paid to the Parent during the year. The consideration for the 66.12% equity interests will be settled by consideration shares to be issued by the Company.

The Group acquired a 100% equity interest in Chongqing BBMG Dacheng Shanshui Real Estate Co., Ltd. ("Chongqing BBMG") from a third party in July 2010. Chongqing BBMG is engaged in property development. The cash consideration of RMB20,000,000 was paid during the year ended 31 December 2010.

Notes to Financial Statement

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41. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during the year ended 31 December 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				
	Xucheng and Shexian	TJ Concrete	BJ Cement	Chongqing BBMG	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	322,150	38,769	155,685	–	516,604
Mining rights	–	–	10,819	–	10,819
Land use rights	98,362	–	426,318	–	524,680
Investments in associates	–	22,374	346,588	–	368,962
Deferred tax assets	–	6,253	–	–	6,253
Inventories	18,252	3,025	25,013	–	46,290
Trade and bills receivables	10,061	124,300	13,817	–	148,178
Prepayments, deposits and other receivables	8,150	66,720	131,789	–	206,659
Cash and cash equivalents	17,650	998	8,808	20,000	47,456
Trade and bills payables	(87,165)	(33,489)	(22,234)	–	(142,888)
Other payables and accruals	(151,414)	(158,297)	(128,278)	–	(437,989)
Interest-bearing bank loans	(47,200)	(31,500)	–	–	(78,700)
Taxes payable	3,755	–	–	–	3,755
Deferred tax liabilities	(24,733)	–	(25,108)	–	(49,841)
	167,868	39,153	943,217	20,000	1,170,238
Non-controlling interests	(18,418)	(15,755)	–	–	(34,173)
Goodwill on acquisition (note 17)	56,276	–	–	–	56,276
	205,726	23,398	943,217	20,000	1,192,341
Satisfied by:					
Equity interests held before the combination	–	10,227	–	–	10,227
Cash and cash equivalents	205,726	–	319,562	20,000	545,288
Consideration shares to be issued	–	–	623,655	–	623,655
Fair value of concrete business injected by Jinzhu Concrete	–	13,171	–	–	13,171
	205,726	23,398	943,217	20,000	1,192,341

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41. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition of subsidiaries during the year ended 31 December 2010 *(continued)*

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

The number of the consideration shares to be issued to Cinda will be determined based on the fixed amount of the consideration and the issue price of each share.

No gain or loss was recognised as a result of remeasuring the fair value of the equity interests in TJ Concrete held by Jinzhu Concrete before the business combination, since the acquisition-date fair value of these equity interests approximated to their book value.

The Group incurred transaction costs of RMB750,000 for the acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration	(545,288)
Cash and bank balances acquired	47,456
Net outflow of cash and cash equivalents included in cash flows from investing activities	(497,832)
Transaction costs of the acquisition included in cash flows from operating activities	(750)
	(498,582)

Since the acquisitions, the newly acquired subsidiaries made contribution of RMB1,544,528,000 to the Group's turnover and accounted for profit before tax of RMB108,354,000 to the consolidated profit before tax for the year ended 31 December 2010.

Had the combinations taken place on 1 January 2010, the consolidated revenue and consolidated profit before tax of the Group for the year ended 31 December 2010 would have been RMB22,158,177,000 and RMB4,282,220,000, respectively.

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42. CONTINGENT LIABILITIES

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

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	(i)	**3,120,640**	3,398,245	**–**	–
Guarantees given to banks in connection with loans granted to subsidiaries	(ii)	**–**	–	**2,682,080**	2,760,846
		3,120,640	3,398,245	**2,682,080**	2,760,846

Notes:

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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 title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties.

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

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

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43. PLEDGE OF ASSETS

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

	2011 RMB'000	2010 RMB'000 (Restated)
Investment properties	**2,705,900**	4,636,200
Property, plant and equipment	**14,403**	199,156
Land use rights	**2,043**	54,354
Properties under development	**7,376,599**	741,433
	10,098,945	5,631,143

(b) At the end of the reporting period, the following assets of the Group were pledged to Bank of China as security for providing a guarantee to a corporate debenture issued by the Parent.

	2011 RMB'000	2010 RMB'000 (Restated)
Investment properties	**621,500**	554,000
Property, plant and equipment	**73,381**	76,247
	694,881	630,247

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

	2011 RMB'000	2010 RMB'000
Investment properties	**2,171,200**	4,294,500
Property, plant and equipment	**5,875**	38,464
Land use rights	**2,043**	20,701
	2,179,118	4,353,665

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44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2011, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within one year	**687,907**	526,055	**345,686**	296,775
In the second to fifth years, inclusive	**1,386,451**	1,073,595	**446,284**	428,203
After five years	**824,458**	1,030,992	**97,201**	313,381
	2,898,816	2,630,642	**889,171**	1,038,359

(b) As lessee

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

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Within one year	**32,684**	42,597	**2,700**	2,700
In the second to fifth years, inclusive	**53,450**	52,964	**3,375**	6,075
After five years	**62,408**	64,309	**–**	–
	148,542	159,870	**6,075**	8,775

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45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Contracted, but not provided for:				
Property, plant and equipment	**649,550**	220,369	**–**	–
Properties being developed by the Group for sale	**6,857,715**	4,513,576	**–**	–
Acquisition of subsidiaries	**195,000**	575,422	**195,000**	575,422
	7,702,265	5,309,367	**195,000**	575,422

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46. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Sale of goods to the Parent Group	**9,395**	113,560
Sale of goods to jointly-controlled entities	**–**	13,222
Sale of goods to associates	**110,893**	104,812
Purchase of goods from the Parent Group	**19,432**	302,836
Purchase of properties from the Parent Group	**–**	272,797
Purchase of goods from jointly-controlled entities	**279**	17,193
Purchase of goods from associates	**1,580**	–
Rendering of services to the Parent Group	**19,174**	32,047
Rendering of services to a jointly-controlled entity	**–**	4,750
Rendering of services to associates	**2,872**	2,359
Purchase of service from the Parent Group	**4,706**	5,056
Rental income from jointly-controlled entities	**16,629**	16,170
Rental income from associates	**8,463**	8,396
Rental expense to the Parent Group	**3,470**	10,612
Interest income from a jointly-controlled entity	**3,154**	457
Interest expense paid to a jointly-controlled entity	**–**	9,483
Relocation fees from the Parent Group	**–**	13,855
Relocation fee paid to the Parent Group	**–**	328,052

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

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46. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Trade receivables due from		
– The Parent Group	**9,887**	42,416
– Jointly-controlled entities	**7,496**	1,563
– Associates	**68**	–
Other receivables due from		
– The Parent Group	**20,346**	410,903
– Jointly-controlled entities	**80,432**	69,621
– Associates	**7,131**	12,605
Trade payables due to		
– The Parent Group	**2,800**	26,116
– Jointly-controlled entities	**3,811**	2,077
– Associates	**2,002**	13
Other payables due to		
– Jointly-controlled entities	**91,201**	555,637
– Associates	**129**	16

Except for the amounts due from a jointly-controlled entity of approximately RMB56,531,000 in aggregate (2010: RMB30,380,000) and amounts due to a jointly-controlled entity of approximately RMB510,029,000 as at 31 December 2010, which are interest-bearing, the above balances are non-interest-bearing, unsecured and have no fixed terms of repayment.

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46. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group

	2011 RMB'000	2010 RMB'000 (Restated)
Short term employee benefits	**4,165**	4,933
Pension scheme contributions	**100**	146
Total compensation paid to key management personnel	**4,265**	5,079

(d) Transactions with other State-controlled entities in Mainland China

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

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47. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	2011 Loans and receivables RMB'000	2011 Available-for-sale financial assets RMB'000	2011 Total RMB'000	2010 Loans and receivables RMB'000 (Restated)	2010 Available-for-sale financial assets RMB'000 (Restated)	2010 Total RMB'000 (Restated)
Available-for-sale investments	–	20,001	20,001	–	21,351	21,351
Trade and bills receivables	4,848,729	–	4,848,729	3,253,521	–	3,253,521
Financial assets included in prepayments, deposits and other receivables	2,371,111	–	2,371,111	2,282,989	–	2,282,989
Restricted cash	2,792,008	–	2,792,008	256,531	–	256,531
Cash and cash equivalents	5,126,471	–	5,126,471	5,030,592	–	5,030,592
	15,138,319	20,001	15,158,320	10,823,633	21,351	10,844,984

Financial liabilities

	2011 Financial liabilities at amortised cost RMB'000	2010 Financial liabilities at amortised cost RMB'000 (Restated)
Trade and bills payables	5,435,953	4,419,258
Financial liabilities included in other payables and accruals	1,834,168	2,184,692
Corporate bonds and notes	4,687,099	4,684,792
Interest-bearing bank loans (note 30)	22,663,582	16,899,263
	34,620,802	28,188,005

Notes to Financial Statement

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47. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Company

Financial assets

	2011 Loans and receivables RMB'000	2011 Available-for-sale financial assets RMB'000	2011 Total RMB'000	2010 Loans and receivables RMB'000	2010 Available-for-sale financial assets RMB'000	2010 Total RMB'000
Available-for-sale investments	–	13,608	13,608	–	7,080	7,080
Trade and bills receivables	194,432	–	194,432	–	–	–
Financial assets included in prepayments, deposits and other receivables	14,058,900	–	14,058,900	12,638,759	–	12,638,759
Restricted cash	–	–	–	5,000	–	5,000
Cash and cash equivalents	2,067,666	–	2,067,666	2,091,138	–	2,091,138
	16,320,998	13,608	16,334,606	14,734,897	7,080	14,741,977

Financial liabilities

	2011 Financial liabilities at amortised cost RMB'000	2010 Financial liabilities at amortised cost RMB'000
Trade and bills payables	–	50,000
Financial liabilities included in other payables and accruals	4,717,603	3,861,030
Corporate bonds and notes	4,687,099	4,684,792
Interest-bearing bank loans (note 30)	15,645,500	12,050,000
	25,050,202	20,645,822

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48. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Financial assets				
Cash and cash equivalents	**5,126,471**	5,030,592	**5,126,471**	5,030,592
Restricted cash	**2,792,008**	256,531	**2,792,008**	256,531
Trade and bills receivables	**4,848,729**	3,253,521	**4,848,729**	3,253,521
Financial assets included in prepayments, deposits and other receivables	**2,371,111**	2,282,989	**2,371,111**	2,282,989
Available-for-sale investments	**20,001**	21,351	**20,001**	21,351
	15,158,320	10,844,984	**15,158,320**	10,844,984
Financial liabilities				
Trade and bills payables	**5,435,953**	4,419,258	**5,435,953**	4,419,258
Financial liabilities included in other payables and accruals	**1,834,168**	2,184,692	**1,834,168**	2,184,692
Interest-bearing bank loans	**22,663,582**	16,899,263	**22,663,582**	16,899,263
Corporate bonds and notes	**4,687,099**	4,684,792	**4,687,099**	4,684,792
	34,620,802	28,188,005	**34,620,802**	28,188,005

Notes to Financial Statement

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48. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: *(continued)*

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**2,067,666**	2,091,138	**2,067,666**	2,091,138
Restricted cash	**–**	5,000	**–**	5,000
Trade and bills receivables	**194,432**	–	**194,432**	–
Financial assets included in prepayments, deposits and other receivables	**14,058,900**	12,638,759	**14,058,900**	12,638,759
Available-for-sale investments	**13,608**	7,080	**13,608**	7,080
	16,334,606	14,741,977	**16,334,606**	14,741,977
Financial liabilities				
Trade and bills payables	**–**	50,000	**–**	50,000
Financial liabilities included in other payables and accruals	**4,717,603**	3,861,030	**4,717,603**	3,861,030
Interest-bearing bank loans	**15,645,500**	12,050,000	**15,645,500**	12,050,000
Corporate bonds and notes	**4,687,099**	4,684,792	**4,687,099**	4,684,792
	25,050,202	20,645,822	**25,050,202**	20,645,822

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of interest-bearing bank loans and corporate bonds and notes have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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48. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair values of listed equity investments are based on quoted market prices.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

As at 31 December 2011

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments:				
Equity investments	**95**	**–**	**–**	**95**

As at 31 December 2010

	Level 1 RMB'000 (Restated)	Level 2 RMB'000 (Restated)	Level 3 RMB'000 (Restated)	Total RMB'000 (Restated)
Available-for-sale investments:				
Equity investments	133	–	–	133

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage the mix in a cost-effective manner, the Group issues corporate bonds and notes with fixed interest rates and raised certain bank loans with floating interest rates.

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

		Group	
	Increase/ decrease in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000
Year ended 31 December 2011	+100	(116,391)	–
Year ended 31 December 2010 (restated)	+100	(74,096)	–
Year ended 31 December 2011	–100	116,391	–
Year ended 31 December 2010 (restated)	–100	74,096	–

* Excluding retained profits

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

Foreign currency risk

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

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

	Increase/(decrease) in RMB rate	Increase/(decrease) in profit before tax	
		2011	2010
	%	**RMB'000**	RMB'000 (Restated)
If RMB weakens against HK$	(3)	**414**	597
If RMB strengthens against HK$	3	**(414)**	(597)

	Increase/(decrease) in RMB rate	Increase/(decrease) in profit before tax	
		2011	2010
	%	**RMB'000**	RMB'000 (Restated)
If RMB weakens against US$	(3)	**47**	53
If RMB strengthens against US$	3	**(47)**	(53)

Credit risk

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

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

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

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 42.

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

Liquidity risk

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

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

Group

	2011					
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	–	15,849,132	5,616,565	2,583,065	238,629	24,287,391
Corporate bonds and notes	–	136,610	216,480	5,050,880	–	5,403,970
Trade and bills payables	2,576,519	1,667,849	824,326	367,259	–	5,435,953
Financial liabilities included in other payables	1,614,006	220,162	–	–	–	1,834,168
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	3,120,640	–	–	–	–	3,120,640
	7,311,165	17,873,753	6,657,371	8,001,204	238,629	40,082,122

	2010					
	On demand	Within 1 year	1 to 2 years	3 to 5 years	More than 5 years	Total
	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)
Interest-bearing bank loans	–	9,975,858	3,135,067	5,053,872	261,025	18,425,822
Corporate bonds and notes	–	139,860	216,480	5,267,360	–	5,623,700
Trade and bills payables	2,471,404	1,068,174	661,450	218,230	–	4,419,258
Financial liabilities included in other payables	2,108,072	76,620	140,292	–	–	2,324,984
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	3,398,254	–	–	–	–	3,398,254
	7,977,730	11,260,512	4,153,289	10,539,462	261,025	34,192,018

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

Liquidity risk *(continued)*

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

Company

	2011					
	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	12,344,375	2,395,045	1,735,569	–	16,474,989
Corporate bonds and notes	–	136,610	216,480	5,050,880	–	5,403,970
Other payables	4,637,733	79,870	–	–	–	4,717,603
Guarantees given to banks in connection with loans granted to subsidiaries	2,682,080	–	–	–	–	2,682,080
	7,319,813	12,560,855	2,611,525	6,786,449	–	29,278,642

	2010					
	On demand RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	7,377,648	2,194,730	3,361,546	–	12,933,924
Corporate bonds and notes	–	139,860	216,480	5,267,360	–	5,623,700
Trade and bills payables	50,000	–	–	–	–	50,000
Other payables	3,784,410	76,620	–	–	–	3,861,030
Guarantees given to banks in connection with loans granted to subsidiaries	2,760,846	–	–	–	–	2,760,846
	6,595,256	7,594,128	2,411,210	8,628,906	–	25,229,500

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

Capital management

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

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

The Group monitors capital using a net borrowings to equity ratio, which is net borrowings divided by total capital. Net borrowings include interest-bearing bank loans and corporate bonds and notes less cash and cash equivalents and restricted cash. Capital represents the total equity.

At the end of the reporting period, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net borrowings to equity ratios at the end of the reporting periods were as follows:

Group

	2011	2010
	RMB'000	RMB'000
		(Restated)
Interest-bearing bank loans	**22,663,582**	16,899,263
Corporate bonds and notes	**4,687,099**	4,684,792
Less: Cash and cash equivalents	**(5,126,471)**	(5,030,592)
Restricted cash	**(2,792,008)**	(256,531)
Net borrowings	**19,432,202**	16,296,932
Total equity	**21,715,616**	18,947,482
Net borrowings to equity	**89%**	86%

Notes to Financial Statement

31 December 2011

50. MAJOR NON-CASH TRANSACTIONS

The non-cash capital contributions made by the non-controlling shareholders of the subsidiaries of the Group during the year were in the form of assets of approximately RMB69,805,000 (2010: RMB149,610,000).

As mentioned in note 37, in February 2011, the Company issued 410,404,560 Consideration Shares at RMB9 per share in exchange for the shares of Taihang Cement held by the non-controlling shareholders of Taihang Cement at an exchange ratio of 1.2 Consideration Shares of the Company for 1 share of Taihang Cement.

51. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 40 to the financial statements, due to the change in accounting policy and the business combination under common control during the year, comparative amounts in the consolidated financial statements have been restated to conform with the basis of preparation as stated in note 2.1 to the financial statements and to comply with the new requirements mentioned in note 2.2, and a third statement of financial position as at 1 January 2010 has been presented.

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2012.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
REVENUE	**27,410,640**	22,055,281	13,270,696	8,550,656	80,080,460
PROFIT FOR THE YEAR	**3,593,126**	2,990,750	1,995,663	1,386,011	693,760
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	**3,428,645**	2,755,658	1,905,930	1,320,816	643,588
DIVIDEND	**308,429**	299,862	271,133	112,000	112,689
DIVIDEND PER SHARE	**RMB0.072**	RMB0.070	RMB0.070	RMB0.040	RMB0.060
EARNINGS PER SHARE (BASIC)	**RMB0.81**	RMB0.71	RMB0.59	RMB0.59	RMB0.36

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
NON-CURRENT ASSETS	**31,949,594**	28,780,638	22,246,400	16,266,995	10,725,717
CURRENT ASSETS	**44,807,399**	33,348,280	22,368,319	14,197,407	10,871,000
TOTAL ASSETS	**76,756,993**	62,128,918	44,614,719	30,464,402	21,596,717
CURRENT LIABILITIES	**39,174,249**	27,842,485	15,805,638	16,622,903	14,965,592
NON-CURRENT LIABILITIES	**15,867,128**	15,338,951	9,435,594	4,779,781	2,448,924
TOTAL LIABILITIES	**55,041,377**	43,181,436	25,241,232	21,402,684	17,414,516
NON-CONTROLLING INTERESTS	**1,561,837**	1,881,766	1,869,562	849,199	610,678
NET ASSETS	**21,715,616**	18,947,482	19,373,487	9,061,718	4,182,201
NET ASSETS PER SHARE	**RMB5.07**	RMB4.89	RMB5.00	RMB3.24	RMB2.32

BBMG 金隅

Tower D, Global Trade Center
No. 36, North Third Ring Road East
Dongcheng District, Beijing, China (100013)

www.bbmg.com.cn