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

2010 Interim Report

Cement
Modern Building Materials
Property Development
Property Investment & Management

* for identification purposes only

Contents

CORPORATE INFORMATION

Chinese name of the Company	北京金隅股份有限公司
English name of the Company	BBMG Corporation
Headquarters	Tower D, Global Trade Center No. 36, North Third Ring East Road Dongcheng District, Beijing 100031, the PRC
Registered office and principal place of business in the PRC	No. 36, North Third Ring East Road Dongcheng District, Beijing 100013, the PRC
Principal place of business in Hong Kong	Room 904, Wah Ying Cheong Central Building 158 – 164 Queen's Road Central, Hong Kong
Website of the Company	www.bbmg.com.cn
Legal representative	Jiang Weiping
The Board	
Executive Directors	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(President)* Shi Xijun Wang Hongjun Deng Guangjun
Non-executive Director	Zhou Yuxian
Independent non-executive Directors	Hu Zhaoguang Xu Yongmo Zhang Chengfu Yip Wai Ming
Supervisors	Wang Xiaoqun Hu Jingshan Zhang Jie Hong Ye Fan Xiaolan Wang Youbin Ma Weixin
Committees	
Audit Committee	Zhang Chengfu *(Chairman)* Hu Zhaoguang Xu Yongmo Zhou Yuxian Yip Wai Ming

Remuneration and Nomination Committee	Jiang Weiping *(Chairman)* Shi Xijun *(Vice Chairman)* Hu Zhaoguang Zhang Chengfu Xu Yongmo
Strategic Committee	Jiang Weiping *(Chairman)* Li Changli *(Vice Chairman)* Jiang Deyi *(Vice Chairman)* Wang Hongjun Deng Guangjun Hu Zhaoguang Zhang Chengfu Xu Yongmo
Authorised representatives	Wang Hongjun Wu Xiangyong
Joint company secretaries	Wu Xiangyong Lau Fai Lawrence
Qualified accountant	Lau Fai Lawrence
H Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Place of listing	The Stock Exchange of Hong Kong Limited
Stock code	02009.HK
Principal bankers	Industrial and Commercial Bank of China Limited Bank of Communications Co., Ltd. Bank of Beijing Co., Ltd. China Construction Bank Corporation
Independent auditors	Ernst & Young *Certified Public Accountants* *As international auditors* Beijing Xinghua *Certified Public Accountants* *As domestic auditors*
Compliance adviser	Cinda International Capital Limited
Legal adviser	Paul, Hastings, Janofsky & Walker *As to Hong Kong law* Haiwen & Partners *As to PRC law*

Jiang Weiping
Chairman

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the interim results report of the Group for the six months ended 30 June 2010, and the satisfactory results of the Group during the said period for your review.

In the first half of 2010, the global economy was hit by the spreading and uncertainties of the Eurozone sovereign debt crisis, resulting in different economic recovery rates for different countries. Following the launch of the RMB4 trillion economic stimulus package by the PRC government, lots of massive domestic infrastructure and construction projects commenced to the greatest extent, therefore, the market demand for cement maintained a rapid growth. Meanwhile, the PRC government formulated policies to increase its efforts in backward production capacity elimination in the cement industry, which resulted in continuous consolidation and sustainable development of, and brought in positive effects to, the cement industry in the PRC. Under the cement capacity regulatory policies, the national cement capacity for the first half of 2010 exceeded 850 million tonnes according to industrial statistics, representing an increase of approximately 17.5% year-on-year with the growth rate increased by approximately 2.6% compared to the corresponding period last year. The investment in the cement industry, however, started to slow down as approximately RMB86 billion of total investment in the national cement industry was recorded in the first half of 2010, an increase of approximately 15.4% year-on-year with the growth rate decreased by approximately 51.6% compared to the corresponding period last year, reflecting that the cement industry maintained its growth momentum during the consolidation.

Against the complex and volatile global economic landscape, the PRC government stabilized the economic growth of China by expanding the demand for investments in the market, introducing the industrial adjustment policies and altering the direction of economic growth. With a gradual exit of the PRC government's economic stimulus policy, the growth rate of fixed asset investments of the PRC fell from the peak. However, investments in the PRC property market still saw a rapid growth in the first quarter of 2010. Under the factors including excess demand and market expectation of rising property price, the property market continued to surge in terms of quantity and price. To avoid the rising speed of property price departing from the purchasing power of the general public, the PRC government promulgated various policies in the second quarter of 2010, aiming at restraining un-reasonable housing demand and increasing housing supply by implementing the construction of economically affordable housing projects and reinforcing various policies of market regulation. The direct investment by the PRC government in economically affordable housing reached RMB63.2 billion which also brought in an indirect investment of up to RMB100 billion. Based on the statistics published by the National Bureau of Statistics of China, the GDP of China's economy posted a growth of 11.1% during the first half of 2010 as compared with the corresponding period of 2009; the fixed asset investments nationwide increased by 25.0% to RMB11.4187 trillion on a year-on-year basis; and investment in property development for the first half of 2010 grew by 38.1% to RMB1.9747 trillion. It is expected that the PRC government's policies on property market to prevent the property price from overheating as well as its determination against property speculation will benefit the steady and sustainable development of the property market of the PRC.

Given the challenging global economy and complex and volatile domestic and international economic landscapes, the Board capitalized on the development opportunities, well defined its development direction, formulated the development strategies in a scientific manner and refined the development mode by leveraging on the Group's strengths in strategic planning, industrial chain, management integration, technology and branding under favourable industrial adjustment policies. The Group also aggressively expanded its targeted markets, strengthened its regional resources integration and enhanced its management standards and efficiency of operation so as to maintain a steady, fast and sound development in its business performance and a sound growth in its principal businesses. Meanwhile, by seizing favourable opportunities in the capital market, the Group have completed various asset injections and kicked off the merger proposal of Hebei Taihang Cement Co., Ltd. (河北太行水泥股份有限公司), an A-share listed company in Shanghai Stock Exchange and a non-wholly owned subsidiary of the Company. On behalf of the Board, I hereby would like to express my sincere thanks to all of the investors and to all the shareholders for their care and support to the business development of the Company.

During the reporting period, under the Hong Kong Financial Reporting Standards, the Group's revenue amounted to approximately RMB7,767.2 million, an increase of approximately 48.2% year-on-year; profit after tax for the reporting period was approximately RMB1,119.7 million, an increase of approximately 48.8% year-on-year; profit attributable to the owners of the Company was approximately RMB1,017.7 million, an increase of approximately 43.5% year-on-year; and earnings per share attributable to owners of the Company was approximately RMB0.26.

Cement and Ready-mixed Concrete Segment

During the first half of 2010, the PRC government stepped up the stringent control over total volume and curb on excess production capacity and moderately developed the large-scale new dry process cement business in line with the principle of backward production capacity elimination, which provided the cement business of the Group with favourable development opportunities. In response to the PRC government's macro-economic control policy, the Group further consolidated and improved its "grand cross-shape" strategy (大十字戰略布局) in Beijing, Tianjin and Hebei Province by riding on the sustainable growth in the PRC government's fixed asset investments and capitalizing on the development opportunities along with the substantial increase in property investment so as to continuously enhance the influence, competitiveness and control in the regional markets of cement and commercial concrete.

Firstly, the Company's strategic planning accomplished remarkable results. A number of clinkers and cement production lines with an annual production capacity of 2 million tonnes owned by Quyang Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司) ("Quyang Cement"), Zhuolu Yongxing Cement Co., Ltd. (涿鹿永興水泥有限責任公司) ("Yongxing Cement") and self-established by Zanhuang BBMG Cement Co., Ltd. (贊皇金隅水泥有限公司) ("Zanhuang Cement") were put in production. The Company also successfully acquired various cement plants through the acquisitions of Hebei Yanzhao Cement Co., Ltd. (河北燕趙水泥有限公司) ("Yanzhao Cement") and Hebei Zhoushi Cement Co., Ltd. (河北宙石水泥有限公司) ("Zhoushi Cement"). Further, the newly acquired cement grinding station of Cangzhou Lingang Jinyu Cement Co., Ltd. (滄州臨港金隅水泥有限公司) ("Huanghua Cement") with an annual production capacity of 2 million tonnes commenced production in the first half of 2010. It is expected that the aggregate annual cement production capacity of the Company will reach above 40 million tonnes by the end of 2010, which will further strengthen the Company's control and competitiveness in regional markets in Beijing, Tianjin and Hebei Province. With an accelerated market expansion in the key areas in Beijing, Tianjin and Hebei Province, the Company's concrete business achieved a rapid growth.

Secondly, in addition to the Company's existing limestone mines and reserves, the Company has established strategic cooperation with large coal manufacturers and stepped up the operational momentum of "centralized purchases and cheap sales" (集購平銷) of coal. The Company entered into an agreement with Shenhua Group Corporation Ltd. (神華集團有限責任公司) ("Shenhua Group") in relation to sale and purchase of 1.3 million tonnes of coal per year, and accelerated the construction of a coal base in Wanquan County, Zhangjiakou by tapping on its proximity to coal producing areas so as to expand coal reserves as well as provide a steady coal supply and maintain the stable raw material prices for the production base. In addition, the Company also established strategic cooperation with large power plants, including Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), Hebei Xibaipo Power Plant Power Generation Co., Ltd. (河北西柏坡電廠發電有限公司), Cangdong Power Plant of Shenhua Group (神華集團倉東電廠) and Shang'an Power Plant of Huaneng Power International, Inc. (華能國際電力股份有限公司上安電廠), which stabilized a steady supply channel of coal to the Group. The Company beefed up the comprehensive utilization of resources and reduced production costs by using fly ash and gypsum generated from power plants during its cement production. With respect to the concrete segment, the Company has completed the construction of artificial and natural gravel bases on the selected sites in eligible regions for supplying gravels to concrete mixing stations, which assured the concrete manufacturing enterprises under the Group with a steady raw materials supply for production.

Thirdly, the Company strengthened the unified management model and established the production-sales linkage and interactive mechanism, which significantly enhanced the capacity of complementary operation. During the reporting period, the Company's total sales volume of cement was approximately 12.12 million tonnes, an increase of approximately 6.04 million tonnes; sales volume of commercial concrete was approximately 1.89 million cubic meters, an increase of approximately 0.47 million cubic meters; revenue for the cement segment was approximately RMB3,476.8 million, an increase of approximately 58.4%. Gross profit amounted to approximately RMB721.7 million, an increase of approximately 54.7%.

Fourthly, the Company continued to adopt a business model emphasizing on emission reduction, energy conservation, clean production and environmental friendliness. The Company progressively promoted treatment of waste including domestic sludge, contaminated soil and fly ash as alternatives for raw materials and fuel. The Company created a new profit model for the cement industry and coordinated economical, social and ecological benefits by cooperating with important strategic partners such as China Haohua Chemical Industry (Group) Corporation (中國昊華化工(集團)總公司) and China Energy Conservation and Environmental Protection Group (中國節能環保集團公司).

Modern Building Materials Segment

During the reporting period, the Group fully capitalized on the gradually enhanced economic stimulus package launched by the PRC government and the gradual promotion of the national development models for the residential property sector. The modern building materials segment achieved a steady yet rapid growth. The planning and construction as well as the management and operation of industrial parks further demonstrated the strength in resources consolidation.

Firstly, the Group gradually advanced its investment in construction of the projects with promising market prospects and high return. The quality bauxite refractory raw material production base project of Yangquan Jinyu Tongda High Temperature Materials Co., Ltd. (陽泉金隅通達高溫材料有限公司) with an annual production capacity of 75,000 tonnes and the production line of Guiyang branch of Beijing Tongda Refractory Technology Corporation ("Tongda Refractory") with an annual production capacity of 25,000 tonnes have been running on full swing. The production base project at the BBMG Coating Dachang Industrial Park (金隅塗料大廠工業園區) with an annual production capacity of 50,000 tonnes has commenced its construction as scheduled.

Secondly, the Group continued to deepen the adjustment of industrial structures and the resource optimization and allocation so as to form a development platform for various businesses of the Group. The platform enabled the Group's core business units to obtain sufficient resources so as to contribute a significant improvement in operational efficiency and competitiveness.

Thirdly, the Group successfully won the tenders of various national key engineering construction projects and achieved a steady growth in terms of operational performance. Tongda Refractory won seven turn-key projects in the cement industry including Saudi Arabia YCC (沙特YCC), Nigeria OBAJANA (尼日利亞 OBAJANA) and IBESE, as well as other key projects in metallurgy and petrochemical industries. During the reporting period, the modern building materials segment recorded a revenue of approximately RMB1,653.1 million, an increase of approximately 26.8%. Gross profit amounted to approximately RMB312.7 million, an increase of approximately 12.2%.

Property Development Segment

During the reporting period, in response to the PRC government's regulatory policy for the property sector, the Group's property development segment adhered to the business strategy for adjusting the "two structures" (兩個結構) and "accelerating cash flow" (好水快流) by speeding up the progress of project development and stepping up sales efforts.

Firstly, the Group proactively coped with the industry regulatory policies by exploring development opportunities and speeding up projects development and construction. Despite the property market slump in the first half of 2010, many projects still completed construction and delivered smoothly, including Inner Mongolia Jinyu Times City (內蒙金隅時代城), Hangzhou Jinyu Guanlan Times (杭州金隅觀瀾時代), Hangzhou Xiasha (杭州下沙), the ancillary commercial facilities for Dachengjun (大成郡配套商業), Jinyu Vanke City Phase II (金隅萬科城二期), Jinyu Dacheng Linglongtiandi (金隅大成玲瓏天地), Tianjin Zhangguizhuang Phase II (天津張貴莊二期), Jinyu Huashijiang (金隅花石匠), Dachengjun (大成郡) and Jinyu Jinheyuan (金隅錦和園).

Secondly, the Group seized the opportunities arising from the new government policies, promoted the occupancy of economically affordable housing projects and accelerated the recovery rate of capital. The Group also attached great importance to economically affordable housing projects in order to effectively implement the policies launched by the PRC government and the Beijing municipal government on tackling housing concerns of general public as well as to speed up the construction of low-rent houses. Potential housing occupants have been confirmed for projects such as Jinyu Kanghuiyuan (金隅康惠園), Chaoyang New City (朝陽新城), Jinyu Jiaheyuan (金隅嘉和園), Jinyu Meiheyuan (金隅美和園) and Jinyu Lijingyuan (金隅麗景園). Meanwhile, the Group continued to proactively convert self-owned industrial lands into residential lands so as to get hold of the business opportunities arising from the efforts in boosting the construction of affordable housing and the relevant policies promulgated in Beijing.

Thirdly, the Group strengthened its cost control and land resources advantages. 960,000 sq.m. of land reserves were injected by acquiring lands through multiple channels. The Group successfully acquired several quality land plots in first-tier cities such as Beijing, Tianjin and Chongqing. As at 30 June 2010, the Group's total land reserves amounted to 6.4 million sq.m.. During the reporting period, the revenue was approximately RMB2,288.5 million, an increase of approximately 44.3%. Gross profit was approximately RMB600.8 million, an increase of approximately 23.3%.

Property Investment and Management Segment

The property investment and management operations witnessed a steady increase in rents and profits and continued to maintain a high occupancy rate and rental level as the Group made good use of its consolidation advantages, innovative operation models and improved services.

Firstly, the property areas held by the Group continued to increase and the scale of operation and competitiveness were further improved. In the first half of 2010, the area of investment properties has increased by 11,000 sq.m. to 645,000 sq.m. as at 30 June 2010 with a unit value of RMB14,188 per sq.m..

Secondly, the Group effectively promoted the brand image by utilizing quality customer resources. The rental level of the Group's high-end office tower projects surged substantially as compared with the corresponding period last year. After the opening of Global Trade Center Phase III (環球貿易中心三期) in the first half of the year as scheduled, the rents climbed by more than 50% as compared with that of Phase I, which demonstrated the advantage of an integrated project complex. During the reporting period, the property investment and management segment recorded approximately RMB435.4 million of revenue, an increase of approximately 20.8%. Gross profit was approximately RMB281.3 million, an increase of approximately 20.8%.

Prospects

According to the statistical results released by authoritative national institutions, the recovery momentum of the global economy is picking up. The economy of China continues to grow in a stable pace amidst an unstable and volatile international economic environment, and China is gradually becoming a major economic power to the world. As the PRC government continues to increase the magnitude of its regulation on various industries, 2010 will be a year with opportunities and challenges for the Group.

The Group will capitalize on the opportunities arising from the PRC government's macro policy adjustments, cope with the changes in both domestic and international economic landscapes, continue to strengthen its competitiveness in the regional markets, step up industrial planning, realize the synergy of business chain and drive the Group into a speedy and steady development.

With respect to the cement and ready-mixed concrete segment, in response to the PRC government's policy in strict control of new cement production capacity and elimination of obsolete cement production capacity, the Company will seize the opportunity to further improve the "grand cross-shape" strategy (大十字戰略佈局) in Beijing, Tianjin and Hebei Province, accelerate the commencement of major production projects, utilize its competitive edge on its regional production capability, increase the industrial concentration of cement and commercial concrete, raise its core competitiveness in the regional markets and strengthen its domination in regional market share. The Company will step up its efforts in acquiring and integrating cement enterprises in developed regions. The Company will continue to develop the energy efficient and environment-friendly industrial development mode so as to enhance its capability in solid waste management, promote an operating model based on circular economy, and broaden the room for profit for the Company in the cement business.

With respect to the modern building materials segment, the Company will seize the opportunities arising from the implementation of the PRC government's industrial policies including "subsidizing purchase of building materials in rural areas" (建材下鄉) and acceleration of urbanization of Beijing, Tianjin and Hebei Province to speed up development in this sector. The Company will expedite "industrial park-based" (園區化) construction and the investment and operation of production lines by taking advantage of cluster effect. The Company will step up its efforts in the construction of industrial platform, make effective connection between manufacturing and trade flow business service, reinforce strategic collaboration and expand its advantage in auxiliary products to achieve a synchronized increase in efficiency and scale.

With respect to the property development segment, the Company will scientifically cope with the current market which has a wait-and-see attitude and an uncertain pricing. The Company will capitalize on the PRC government's regulatory policy and, through leveraging on its advantages, actively participate in the planning and construction of the PRC government's economically affordable housing projects. By seizing the opportunities in expanding its construction and developing its land reserves for continuous development, the Company will ensure the sustainable development of the property development segment. The Company will push the progress of the industrialization of real estate of the PRC, realize the synergy between industrial sectors, and make every effort to forge an international real estate business group.

With respect to the property investment and management segment, the Company will, based on the foundation of resources reintegration and the initial establishment of new institutional mechanisms, continue to expand its possession of high-end properties and further optimize its internal mechanism. The Company will leverage on its brand superiority, expand its profit model and scope of services, continuously take advantage of new competitive edge and achieve new development.

Lastly, on behalf of the Board, I would like to express my gratitude to the shareholders and business partners of the Group for their support and assistance over the reporting period. 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, 27 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Information

	First half of 2010 RMB million	First half of 2009 RMB million	Change (%)
Revenue	7,767.2	5,239.4	48.2%
Gross profit	1,909.7	1,459.8	30.8%
Profit before tax	1,660.7	1,085.6	53.0%
Net profit	1,119.7	752.3	48.8%
Net profit attributable to owners of the Company	1,017.7	709.2	43.5%
Basic earnings per share attributable to owners of the Company	RMB0.26	RMB0.25	RMB0.01

Summary of Business Information

Cement Segment

	Sales Volume for the first half of 2010	Sales Volume for the first half of 2009	Change %
Cement (in million tonnes)	12.12	6.08	99.3%
Concrete (in million cubic meters)	1.89	1.42	33.1%

Modern Building Materials Segment

	Revenue for the first half of 2010	Revenue for the first half of 2009	Change %
Furniture and decorative materials (RMB million)	**449.4**	416.7	7.8%
Refractory materials (RMB million)	**381.3**	247.0	54.4%
Trade and logistics (RMB million)	**670.5**	503.9	33.1%
Income from energy-saving wall body materials (RMB million)	**151.9**	135.9	11.8%

Property Development Segment

	First half of 2010	First half of 2009	Change %
Booked GFA (in thousand sq.m.) (Note)	**337**	152	122.0%
Area sold/pre-sold (in thousand sq.m.) (Note)	**256**	189	35.1%

Note: BBMG Vanke Property Development Co., Ltd., a joint venture of the Company was not included in calculating the above data.

Property Investment and Management Segment

	As at 30 June 2010	As at 31 December 2009	Change %
Gross GFA of investment property (in thousand sq.m.)	**645**	634	1.7%
Total property valuation (in RMB million)	**9,153**	8,678	5.5%
Valuation per unit (RMB per sq.m.)	**14,188**	13,688	3.7%

Review of Overall Results

In the first half of 2010, the Company endeavoured to overcome the complex international and domestic economic environment. Leveraging on the demand of the PRC government to expand market investment and transform the economic growth pattern, the Company sped up regional strategic layout, strengthened internal resources consolidation and enhanced operation quality, which all together resulted in a sustainable rapid growth in the business performance of the Company.

In the first half of 2010, the results of the Company had grown rapidly. Consolidated revenue amounted to approximately RMB7,767.2 million, an increase of 48.2% year-on-year; consolidated gross profit amounted to approximately RMB1,909.7 million, an increase of 30.8% year-on-year; consolidated gross profit margin decreased by 3.3 percentage points year-on-year to 24.6%; consolidated net profit amounted to approximately RMB1,119.7 million, an increase of 48.8% year-on-year. The decrease in the consolidated gross profit margin of the Company was primarily attributed to the change in the mix of profits recognised from the property development segment.

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

- Revenue from cement segment increased by 58.4% to approximately RMB3,476.8 million, with gross profit increased by 54.7% to approximately RMB721.7 million;
- Revenue from modern building materials segment increased by 26.8% to approximately RMB1,653.1 million, with gross profit increased by 12.2% to approximately RMB312.7 million;
- Revenue from property development segment increased by 44.3% to approximately RMB2,288.5 million, with gross profit increased by 23.3% to approximately RMB600.8 million;
- Revenue from property investment and management segment increased by 20.8% to approximately RMB435.4 million, with gross profit increased by 20.8% to approximately RMB281.3 million.

Analysis of Business Segments

Comparison of revenue from each business segment

	First half of 2010 RMB million	First half of 2009 RMB million	Change %
Cement segment	3,476.8	2,194.5	58.4%
Modern building materials segment	1,653.1	1,303.5	26.8%
Property development segment	2,288.5	1,585.6	44.3%
Property investment and management segment	435.4	360.4	20.8%
Eliminations	(86.6)	(204.6)	–
Total	7,767.2	5,239.4	48.2%

Comparison of gross profit of each business segment

	First half of 2010 RMB million	First half of 2009 RMB million	Change %
Cement segment	721.7	466.6	54.7%
Modern building materials segment	312.7	278.7	12.2%
Property development segment	600.8	487.3	23.3%
Property investment and management segment	281.3	232.9	20.8%
Eliminations	(6.8)	(5.7)	–
Total	1,909.7	1,459.8	30.8%

Comparison of gross profit margin of each business segment

	First half of 2010	First half of 2009	Change percentage points
Cement segment	20.8%	21.3%	(0.5)
Modern building materials segment	18.9%	21.4%	(2.5)
Property development segment	26.3%	30.7%	(4.4)
Property investment and management segment	64.6%	64.6%	–
Average	24.6%	27.9%	(3.3)

1. Cement Segment

In the first half of 2010, the Company's cement segment had a significant growth in performance, with sales revenue at approximately RMB3,476.8 million, an increase of 58.4% year-on-year; gross profit was approximately RMB721.7 million, an increase of 54.7% year-on-year; and gross profit margin was 20.8%, a decrease of 0.5 percentage points year-on-year. Sales of cement (including clinkers) amounted to 12.12 million tonnes, an increase of 6.04 million tonnes year-on-year, which comprised cement (including clinkers) produced for the Group's own account amounting to 11.69 million tonnes, an increase of 6.63 million tonnes year-on-year.

(i) Strategy reaped remarkable results

In the first half of the year, the Company accelerated the process of mergers, acquisitions and reorganization of corporations with cement capacity in the Bohai Sea region by fully capitalizing on the opportunities arising from the PRC government's plan to adjust industrial structure and encourage restructuring of the industry, and thus completed the "grand cross-shape" strategy (大十字戰略佈局) for the Bohai Sea region in general. Firstly, the cement plants of Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司) ("Zhenxing Cement"), Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司), Quyang Cement and Yongxing Cement were successfully injected into the Company from BBMG Group Company Limited (the "Parent"), bringing an additional annual cement production capacity of 7.7 million tonnes. Secondly, mergers and acquisitions were accelerated within the region following the successful acquisitions of cement plants through the acquisitions of Yanzhao Cement and Zhoushi Cement, bringing in a further additional annual cement production capacity of 4 million tonnes. Thirdly, Zanhuang Cement's production line with an annual output of 2 million tonnes and Huanghua Cement's grinding station with an output of 2 million tonnes, both built by the Company, commenced production in the first half of 2010. As at 30 June 2010, the Company's annual cement production capacity had reached 31.53 million tonnes and is expected to reach above 40 million tonnes by the end of 2010, thereby enhancing the overall competitiveness of the Group's cement business in the Beijing, Tianjin and Hebei Province vicinities.

(ii) Accelerated deployment in the downstream cement operations to realize synergy of industrial chain

The Company was the first in the industry to promote business planning for commercial concrete to secure the cement end-user market through the control over regional concrete production, which extended the profit chain of the cement business. In the first half of the year, the Company sold commercial concrete amounting to 1.89 million cubic meters, an increase of 0.47 million cubic meters year-on-year; sales revenue was approximately RMB500 million, an increase of 16.5% year-on-year; and gross profit margin remained steady, reaching 7.5%.

The Company made aggressive efforts to open the concrete markets in Hebei and Tianjin while further consolidate the concrete market in Beijing. Firstly, the Company successfully acquired Shijiazhuang Xucheng Concrete Co., Ltd. (石家莊旭成建材有限公司) in January 2010 to extend its business to the concrete market in Shijiazhuang area, bringing an additional annual cement production capacity of 600,000 cubic meters. Secondly, Tianjin Jinzhu Concrete Co., Ltd. (天津金築混凝土有限公司) was planned to inject into the Company from the Parent, the acquisition was considered and approved at the general meeting of the Company held on 27 July 2010. Upon completion of such acquisition, the annual concrete production capacity of the Group will be increased by 5 million cubic meters, which will further strengthen the Company's control over the concrete market in Tianjin. By then, the Company's annual concrete production capacity can reach over 10 million cubic meters.

(iii) Continuous development in recycling economy and energy-saving and environmental technologies as well as introduced an innovative profit model for the cement industry

The Company committed tremendous efforts in developing of an industry based on a recycling and low-carbon economy. The Company's profitability was improved significantly following the extensive application of the residual heat power generation technology in cement production line, the proactive promotion of the technology in the use of cement kilns for disposal of urban and industrial wastes, and the reinforcement of the Company's new cement business model based on "energy conservative, environmental friendliness, low carbon and high added-value".

In the first half of the year, upon completion of the installation of two sets of 12-MW residual heat power generators of Luquan Dongfang Dingxin Cement Co., Ltd. (鹿泉東方鼎鑫水泥有限公司) and two sets of 4.5-MW residual heat power generators of Zhenxing Cement, the installed capacity of the Company's residual heat power generators reached 93MW. Total power generation was 216 million KWh and costs saved amounted to nearly RMB65 million. Moreover, over 20% of power consumption could be saved upon completion of the energy-saving technology upgrade project for frequency conversion in high-voltage machinery by some enterprises such as Beijing Xinbeishui Cement Co., Ltd. (北京新北水水泥有限責任公司) ("Xinbeishui"), Beijing Liulihe Cement Co., Ltd. (北京市琉璃河水泥有限公司) and Zhenxing Cement.

The Company achieved remarkable social and economic benefits from the use of cement kilns for disposal of industrial wastes, urban sludge, garbage and fly ash. In the first half of the year, BBMG Mangrove Environmental Protection Technology Co., Ltd. (北京金隅紅樹林環保技術有限責任公司) ("BBMG Mangrove") disposed of nearly 50,000 tonnes of industrial wastes and urban sludge which have been used as raw materials for cement production of Xinbeishui. Xinbeishui and BBMG Mangrove in total gained a combined net profit of RMB85 million from the utilization of a cement production line with a capacity of 2 million tonnes, representing an increase of 21% year-on-year.

2. Modern Building Materials Segment

In the first half of 2010, the Company's modern building materials segment achieved sales revenue of approximately RMB1,653.1 million, an increase of 26.8% year-on-year; gross profit was approximately RMB312.7 million, an increase of 12.2% year-on-year; and gross profit margin was 18.9%, a decrease of 2.5 percentage points year-on-year.

	First half of 2010 RMB million	First half of 2009 RMB million	Change %
Revenue			
Building materials segment as a whole	1,653.1	1,303.5	26.8%
– Decorative and fitting materials	449.4	416.7	7.8%
– Insulation materials for energy-saving wall body	151.9	135.9	11.8%
– Refractory materials	381.3	247.0	54.4%
– Trading and logistics	670.5	503.9	33.1%
Gross profit			
Building materials segment as a whole	312.7	278.7	12.2%
– Decorative and fitting materials	76.1	82.8	(8.1)%
– Insulation materials for energy-saving wall body	33.7	25.1	34.3%
– Refractory materials	95.7	88.2	8.5%
– Trading and logistics	107.2	82.6	29.8%
Gross profit margin (%)			
Building materials segment as a whole	18.9%	21.4%	Down 2.5 percentage points
– Decorative and fitting materials	16.9%	19.9%	Down 3.0 percentage points
– Insulation materials for energy-saving wall body	22.2%	18.5%	Up 3.7 percentage points
– Refractory materials	25.1%	35.7%	Down 10.6 percentage points
– Trading and logistics	16.0%	16.4%	Down 0.4 percentage points

In the first half of the year, the modern building materials segment was in a steady development and realized growth in both revenue and profits; however, as one new production line of Gongyi Tongda Zhongyuan Refractory Technology Co., Ltd. (鞏義通達中原耐火技術有限公司) commenced production recently, gross profit margins for refractory materials and the entire building materials segment suffered a decrease.

The Company's modern building materials segment restructured its product mix as well as optimized its re-allocation of resources with aggressive efforts. The Group placed emphasis on the research and development of new products and on product quality, and reinforced the establishment of a marketing network to effectively raise brand awareness and increase market share so that growth was maintained in the business segment as a whole.

Meanwhile, the Company is giving priority to carrying out "Industrial Park-based" (工業園區化) development which aimed at promoting an industry-clustered development model that will lay a foundation for the future development of the segment.

3. Property Development Segment

In the first half of 2010, the Company's property development segment achieved revenue of approximately RMB2,288.5 million, an increase of 44.3% year-on-year; gross profit was approximately RMB600.8 million, an increase of 23.3% year-on-year; and gross profit margin was 26.3%, a decrease of 4.4 percentage points year-on-year. The primary reason for the decrease in the gross profit margin was the substantial increase in the relative percentage of sales recognised on affordable housing which has a comparatively low gross profit margin than commodity housing.

(i) Carried out restructuring on a timely basis and endeavoured to overcome the impact of macro-control policies

In the face of the PRC government's policy to regulate the property sector and the anticipated impact of such policy on property transactions, the Company's property development segment carried out restructuring on a timely basis and continued to apply the "accelerating cash flow" (好水快流) business policy by accelerating the progress of project development and stepping up sales efforts. In the first half of the year, booked GFA of the property projects of the Company was 337,000 sq.m., an increase of 122% year-on-year; and GFA of property projects offered for sales (pre-sales) was 256,000 sq.m., an increase of 35.1% year-on-year.

(ii) ***Seized the opportunity to reserve more low-cost land resources***

In the first half of the year, following careful study and judgement of the changes in the property sector, the Company seized the opportunities arising from the low level of activities in the property sector as a result of the PRC government's macro-control initiatives by reserving more low-cost land resources. Firstly, Beijing Dacheng Development Group Co., Ltd. (北京大成開發集團有限公司) was successfully injected into the Company from the Parent together with 960,000 sq.m. of land reserves. Secondly, land reserves in the first-tier cities were increased, in the first half of the year, the Company successfully secured a number of quality land plots in the first-tier cities such as Beijing, Tianjin and Chongqing. At present, the Company's total land reserves amount to approximately 6.4 million sq.m.

4. Property Investment and Management Segment

In the first half of 2010, the Company's property investment and management segment continued to maintain a high occupancy rate and profit level. This segment achieved revenue of approximately RMB435.4 million, an increase of 20.8% year-on-year; gross profit was approximately RMB281.3 million, an increase of 20.8% year-on-year; and gross profit margin was 64.6%, maintained at the same level as the six months ended 30 June 2009.

In the first half of the year, GFA of the investment properties of the Company reached 645,000 sq.m. which is an increase of approximately 11,000 sq.m. compared to the year ended 31 December 2009. All properties were valuated at RMB9.15 billion in total, representing an average estimated value of RMB14,188 per sq.m..

Analysis of Other Items in the consolidated Income Statement

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

During the reporting period, the Company's expenses in terms of percentage to revenue decreased.

	First half of 2010	First half of 2009	Change
Selling and marketing expenses (RMB million)	**328.4**	229.8	
Percentage to revenue	**4.2%**	4.4%	a decrease of 0.2 percentage points
Administrative expenses (RMB million)	**653.7**	495.2	
Percentage to revenue	**8.4%**	9.5%	a decrease of 1.1 percentage points
Finance costs (RMB million)	**169.8**	126.2	
Percentage to revenue	**2.2%**	2.4%	a decrease of 0.2 percentage points
Total expenses for the period (RMB million)	**1,151.9**	851.2	
Percentage to revenue	**14.8%**	16.3%	a decrease of 1.5 percentage points

2. Other income and gains

During the reporting period, other income and gains of the Group amounted to approximately RMB465.3 million, an increase of approximately RMB161.7 million year-on-year. The increase was mainly attributable to the increased VAT refunds due to higher revenue from the cement segment.

3. Gain or loss on change of fair value of investment properties

During the reporting period, the net increase of the fair value of investment properties of the Group amounted to approximately RMB518.6 million, an increase of approximately RMB313.4 million year-on-year. Fair value gains on investment properties for the reporting period were attributable to an upward revision to the fair value of the Group's investment properties by the valuer based on open market conditions.

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

In the first half of 2010, the share of profits and losses of jointly-controlled entities and associates was a loss of approximately RMB15.5 million, a decrease of loss of approximately RMB2.3 million year-on-year.

Analysis of Assets and Liabilities Items

Major assets and liabilities items

	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million	Change (%)
Current assets	**26,179.9**	21,257.3	23.2%
Current liabilities	**21,747.1**	14,601.2	48.9%
Net current assets	**4,432.8**	6,656.1	(33.4%)
Non-current assets	**23,233.1**	20,002.1	16.2%
Non-current liabilities	**10,473.7**	9,006.3	16.3%
Total assets	**49,413.0**	41,259.4	19.8%
Net assets	**17,192.3**	17,652.0	(2.6%)
Comprising: Equity attributable to owners of the Company	**15,125.7**	15,806.0	(4.3%)
Non-controlling interests	**2,066.6**	1,846.0	12.0%
Debt ratio (total liabilities to total assets)	**65.2%**	57.2%	an increase of 8.0 percentage points

As at 30 June 2010, the Group's assets scale was enhanced with consolidated total assets amounting to approximately RMB49,413.0 million, an increase of 19.8% from the end of last year. Net assets value amounted to approximately RMB17,192.3 million, a decrease of 2.6% from the beginning of the reporting period. Debt ratio was 65.2%, an increase of 8.0 percentage points from the beginning of the reporting period.

As at 30 June 2010, the Group's net current assets were approximately RMB4,432.8 million (31 December 2009: RMB6,656.1 million).

As at 30 June 2010, the Group's cash and bank balances totalled approximately RMB3,851.6 million, a decrease of approximately RMB2,249.6 million at the beginning of the reporting period. As at 30 June 2010, the Group's total interest-bearing bank borrowings was approximately RMB14,656.0 million. Of these borrowings, approximately RMB8,572.4 million interest bearing bank borrowings were due for repayment within one year, an increase of approximately RMB5,208.3 million at the beginning of the reporting period. Approximately RMB6,083.6 million interest-bearing bank borrowings were due for repayment after one year, an increase of approximately RMB1,305.2 million at the beginning of the reporting period.

Contingent Liabilities

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Unaudited and restated)
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties (Note)	**2,823,607**	2,214,765

Note:

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

The fair value of the guarantees is not significant and the Board considers 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.

(b) As at 30 June 2010 and 31 December 2009, the Group had contingent liabilities in relation to the transfer of certain other payables balances to the Parent in an aggregate amount of approximately RMB176.3 million. The Group may remain liable if the Parent fails to fulfill its obligations in respect of these transferred liabilities. Pursuant to an indemnification undertaking, the Parent has agreed to indemnify the Group in respect of any loss or damage relating to the transferred liabilities as mentioned above.

(c) As at 30 June 2010 and 31 December 2009, the Group had contingent liabilities in relation to not having proper legal title to certain of its properties. The Group may be subject to penalties, lawsuits or other actions taken against the Group. No provision has been made for such potential legal proceedings and claims as the outcome of the legal proceedings and claims cannot be reasonably estimated and the Board believes that the probability of loss is remote. The Parent has agreed to indemnify the Group in respect of any loss or damage relating to the defective title certificates.

Employees

As at 30 June 2010, the Group had 19,935 employees in total. The Group provides its employees in the PRC with retirement insurance, medical insurance, unemployment insurance, maternity insurance and industrial injury insurance as well as a housing provident fund pursuant to the PRC laws and regulations. The Group pays salaries to the employees based on a combination of factors such as their positions, lengths of service and work performance, and reviews these salaries and benefits on a regular basis.

Foreign Exchange Risk Management

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

Pledge of Assets

As at 30 June 2010, the total amounts of the assets of the Group pledged to certain banks for securing the loans granted to the Group have not changed materially since 31 December 2009.

Commitments for Material Investments and Capital Assets

As at 30 June 2010, the Group has a total commitments of approximately RMB6,608.9 million (31 December 2009: RMB3,083.6 million) in respect of acquisitions of property, plant and equipment, properties being developed for sale and equity and assets acquisitions contracted prior to the end of the reporting period which will be funded by internal resources of the Group and/or bank loans.

OTHER INFORMATION

Substantial Shareholders' and Other Person's Interests in Shares

As at 30 June 2010, the total issued share capital of the Company was 3,873,332,500 shares, of which 2,365,470,065 were Domestic Shares, 338,480,000 were Unlisted Foreign Shares and 1,169,382,435 were H Shares and to the best knowledge of the Directors, the records of interest (being 5% or more of the Company's issued share capital) as registered in the register kept by the Company under section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long Positions:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
Domestic Shares	BBMG Group Company Limited	Directly and Beneficially Owned	1,753,647,866	74.14	45.27
Domestic Shares	China National Materials Co., Ltd.	Directly and Beneficially Owned	239,580,000	10.13	6.19
Unlisted Foreign Shares	Hopeson Holdings Limited	Directly and Beneficially Owned	205,380,000	60.68	5.30
H Shares	JP Morgan Chase & Co.	Directly and Beneficially Owned	139,530,782	11.93	3.60
H Shares	China Life Insurance (Group) Company	Directly and Beneficially Owned	118,736,500	10.15	3.07
H Shares	Bank of China	Directly and Beneficially Owned	60,736,500	5.19	1.57

Short position:

Type of shareholding	Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of such shareholding in the same type of the issued share capital (%)	Percentage of total issued share capital (%)
Domestic Shares	BBMG Group Company Limited	Directly and Beneficially Owned	92,120,474	3.89	2.38

Save as disclosed above, as at 30 June 2010, there were no other parties who had interests or short positions in the shares or underlying shares of the Company which would fall to be recorded in the register required to be kept under section 336 of the SFO.

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

As at 30 June 2010, none of the Directors, Supervisors and chief executives of the Company had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the laws of Hong Kong), which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Model Code for Securities Transactions by Directors and Supervisors

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

As at 30 June 2010, the Directors were not aware of any issues of Directors and relevant employees not in compliance with the Required Standard during the six months ended 30 June 2010. Specific enquiry has been made to all Directors and Supervisors, who have confirmed that they had complied with the Required Standard during the reporting period.

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

The Group did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the six months ended 30 June 2010.

Code on Corporate Governance Practice

Good corporate governance is conducive to enhancing overall performance and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of shareholders and devotes considerable effort identifying and formalizing best practice. The Company has adopted the code provisions contained in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules (the "CG Code"). The Company has complied with the CG Code during the six months ended 30 June 2010.

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

Investor Relations Management

The Group strongly believes that investor relations are an integral part of maintaining good corporate governance of a listed company. After the public listing on 29 July 2009, the Group has been actively maintaining contact with investors and keeping them abreast of the latest industry updates, corporate communications and business development in a timely manner, so as to establish a platform for fair, open and transparent information disclosure. The Board secretary and one of the joint company secretaries, Wu Xiangyong, is responsible for the investor relations of the Group with the full support from the Board and the senior management. During the six months ended 30 June 2010, the Group actively participated in various investor relations activities and provided on-time information to investors through its company website.

1. Global Roadshow

After publication of the results announcement of the Group for the year ended 31 December 2009 on 16 April 2010, management has held various roadshows in major international financial markets including Hong Kong, Singapore, New York and Boston where one-on-one, group meetings and luncheons were arranged with various fund managers and analysts to explain the strengths and growth strategies of the Group. The Group has continued to actively participate in roadshows and presentations organized by sizable investment banks to provide up-to-date information about the Group and future prospects to the investors so as to increase the investors' understanding of the Group.

2. Investor Forums and Conferences

During the six months ended 30 June 2010, the Group attended a number of investor forums, roadshows and presentations held by renowned investment and securities firms in Hong Kong and Beijing, and actively organized one-on-one and group meetings with various fund managers and analysts. During the current interim period, the Group has met with more than 300 analysts, fund managers and financial commentators and maintained close communications with institutional investors, providing them with up-to-date information about the Group.

3. Ongoing Communications with Shareholders, Investors and Analysts

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

4. Results Announcement

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

5. Maintaining Interactive Communications with Media

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

6. Timely Dissemination of Latest Corporate Updates

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

Investor Information

1. Share Particulars

Stock Exchange	Hong Kong Stock Exchange
Board lot	500 Shares
Number of issued H Shares	1,169,382,435 H Shares (as at 30 June 2010)
Stock code	2009

2. Financial Calendar

First extraordinary general meeting	30 March 2010
Annual general meeting	29 June 2010
Second extraordinary general meeting	27 July 2010
2010 interim results announcement	published on 27 August 2010
Third extraordinary general meeting	14 September 2010
Financial year end	31 December

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

Audit Committee

The Company has established an audit committee (the "Audit Committee") pursuant to the provisions of the CG Code, aimed at reviewing and supervising the Group's financial reporting procedures. The Audit Committee is composed of one non-executive director and four independent non-executive directors. At the meeting convened on 27 August 2010, the Audit Committee had reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010. The Audit Committee has considered the Group's financial statements for the first half of 2010 and recommended their adoption by the Board.

Members of the Audit Committee are Mr Zhang Chengfu (independent non-executive Director), Mr Hu Zhaoguang (independent non-executive Director), Mr Xu Yongmo (independent non-executive Director), Mr Zhou Yuxian (non-executive Director) and Mr Yip Wai Ming (independent non-executive Director). Mr Zhang Chengfu is the chairman of the Audit Committee.

Auditors

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

Report on Review of Interim Financial Information

ERNST & YOUNG
安 永

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

Introduction

We have reviewed the interim financial information set out on pages 38 to 64 which comprises the condensed consolidated statement of financial position of BBMG Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2010, and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for six months then ended, and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

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

27 August 2010

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	For the six month ended 30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
REVENUE	4	**7,767,189**	5,239,374
Cost of sales		**(5,857,529)**	(3,779,587)
Gross profit		**1,909,660**	1,459,787
Other income and gains	4	**465,341**	303,618
Fair value gains on investment properties, net		**518,572**	205,184
Selling and marketing expenses		**(328,423)**	(229,841)
Administrative expenses		**(653,678)**	(495,158)
Other expenses		**(65,437)**	(13,915)
Finance costs	6	**(169,766)**	(126,212)
Share of profits and losses of:			
Jointly-controlled entities		**(15,483)**	(11,316)
Associates		**(53)**	(6,518)
PROFIT BEFORE TAX	5	**1,660,733**	1,085,629
Income tax expense	7	**(541,045)**	(333,317)
PROFIT FOR THE PERIOD		**1,119,688**	752,312
Attributable to:			
Owners of the Company		**1,017,655**	709,233
Non-controlling interests		**102,033**	43,079
		1,119,688	752,312
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic and diluted		**RMB0.26**	RMB0.25

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	For the six months ended	
	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
PROFIT FOR THE PERIOD	**1,119,688**	752,312
Net gain/(loss) on available-for-sale investments:		
Changes in fair value	**(1,582)**	–
Income tax effect	**396**	–
	(1,186)	–
Gains on property revaluation	**95,765**	–
Income tax effect	**(23,941)**	–
	71,824	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**70,638**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,190,326**	752,312
Attributable to:		
Owners of the Company	**1,088,293**	709,233
Non-controlling interests	**102,033**	43,079
	1,190,326	752,312

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**10,789,790**	8,318,482
Investment properties		**9,153,000**	8,678,215
Land use rights		**1,770,440**	1,629,221
Goodwill		**313,511**	257,281
Other intangible assets		**30,283**	27,100
Mining rights		**172,063**	176,039
Interests in jointly-controlled entities		**225,225**	241,325
Interests in associates		**317,223**	316,835
Available-for-sale investments		**30,398**	21,762
Deferred tax assets		**431,212**	335,870
Total non-current assets		**23,233,145**	20,002,130
CURRENT ASSETS			
Inventories		**16,482,320**	10,659,398
Trade and bills receivables	11	**2,514,878**	1,776,933
Prepayments, deposits and other receivables		**3,125,185**	2,381,992
Tax recoverable		**13,075**	20,412
Restricted cash		**192,815**	161,436
Cash and cash equivalents		**3,851,577**	6,101,170
Non-current assets held for sale		**–**	155,962
Total current assets		**26,179,850**	21,257,303
CURRENT LIABILITIES			
Trade and bills payables	12	**2,855,103**	2,483,131
Other payables and accruals		**9,239,665**	8,002,458
Dividend payable		**271,133**	–
Interest-bearing bank loans	13	**8,572,371**	3,364,100
Taxes payable		**766,652**	709,343
Provision for supplementary pension subsidies and early retirement benefits		**42,147**	42,156
Total current liabilities		**21,747,071**	14,601,188

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
NET CURRENT ASSETS		**4,432,779**	6,656,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,665,924**	26,658,245
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	13	**6,083,607**	4,778,361
Corporate bonds		**1,895,990**	1,933,904
Deferred tax liabilities		**1,471,495**	1,263,770
Provision for supplementary pension subsidies and early retirement benefits		**561,291**	562,841
Deferred income		**320,981**	327,097
Other non-current liabilities		**140,292**	140,292
Total non-current liabilities		**10,473,656**	9,006,265
Net assets		**17,192,268**	17,651,980
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,873,333**	3,873,333
Reserves		**11,252,334**	11,661,545
Proposed final dividend		**–**	271,133
		15,125,667	15,086,011
Non-controlling interests		**2,066,601**	1,845,969
Total equity		**17,192,268**	17,651,980

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company											
	Share capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Statutory reserve (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Available-for-sale investment revaluation reserve (Unaudited) RMB'000	Assets revaluation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2010												
As previously reported	3,873,333	7,074,287	1,115	–	(927,271)	1,814	–	4,667,062	271,133	14,961,473	1,522,893	16,484,366
Business combination under common control (note 14)	–	–	–	476,258	219,185	–	–	149,095	–	844,538	323,076	1,167,614
As restated	3,873,333	7,074,287	1,115	476,258	(708,086)	1,814	–	4,816,157	271,133	15,806,011	1,845,969	17,651,980
Total comprehensive income for the period	–	–	–	–	–	(1,186)	71,824	1,017,655	–	1,088,293	102,033	1,190,326
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	146,560	146,560
Acquisitions of non-controlling interests	–	–	–	–	(1,114)	–	–	–	–	(1,114)	(13,420)	(14,534)
Deemed distribution to the Parent	–	–	–	(476,258)	(1,020,132)	–	–	–	–	(1,496,390)	–	(1,496,390)
Acquisitions of subsidiary (note 15)	–	–	–	–	–	–	–	–	–	–	18,419	18,419
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(32,960)	(32,960)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(271,133)	(271,133)	–	(271,133)
At 30 June 2010	3,873,333	7,074,287*	1,115*	–*	(1,729,332)*	628*	71,824*	5,833,812*	–	15,125,667	2,066,601	17,192,268

* These reserve accounts comprise the consolidated reserves of RMB11,252,334,000 (31 December 2009: RMB11,661,545,000 (restated)) in the condensed consolidated statement of financial position.

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

For the six months ended 30 June 2009

	Attributable to owners of the Company											
	Share capital (Unaudited and restated) RMB'000	Share premium (Unaudited and restated) RMB'000	Statutory reserve (Unaudited and restated) RMB'000	Merger reserve (Unaudited and restated) RMB'000	Capital reserve (Unaudited and restated) RMB'000	Available-for-sale investment revaluation reserve (Unaudited and restated) RMB'000	Assets revaluation reserve (Unaudited and restated) RMB'000	Retained profits (Unaudited and restated) RMB'000	Proposed final dividend (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000	Non-controlling interests (Unaudited and restated) RMB'000	Total equity (Unaudited and restated) RMB'000
At 1 January 2009												
As previously reported	2,800,000	2,430,342	1,115	–	(912,038)	–	–	2,902,807	112,000	7,334,226	840,003	8,174,229
Business combination under common control (note 14)	–	–	–	81,257	–	–	–	329,624	–	410,881	9,196	420,077
As restated	2,800,000	2,430,342	1,115	81,257	(912,038)	–	–	3,232,431	112,000	7,745,107	849,199	8,594,306
Total comprehensive income for the period	–	–	–	–	–	–	–	709,233	–	709,233	43,079	752,312
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	66,203	66,203
Acquisitions of non-controlling interests	–	–	–	–	(38,270)	–	–	–	–	(38,270)	(117,985)	(156,255)
Acquisitions of subsidiaries (note 15)	–	–	–	–	–	–	–	–	–	–	12,773	12,773
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(497)	(497)
Final 2008 dividend declared	–	–	–	–	–	–	–	–	(112,000)	(112,000)	–	(112,000)
At 30 June 2009 (restated)	2,800,000	2,430,342	1,115	81,257	(950,308)	–	–	3,941,664	–	8,304,070	852,772	9,156,842

Unaudited Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	For the six months ended	
	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(4,680,643)	437,521
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2,648,797)	(1,252,462)
NET CASH INFLOW FROM FINANCING ACTIVITIES	5,079,847	1,147,903
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,249,593)	332,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,101,170	1,973,493
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,851,577	2,306,455

Notes to Unaudited Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for current period's unaudited interim condensed consolidated financial statements:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Annual Improvements Project	Improvements to HKFRSs 2009

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKFRS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such change will have no impact on goodwill, nor will they give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of the subsidiary.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain non-controlling interests in the subsidiary or not.

Adoption of these new and revised HKFRSs did not have any material effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

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

For the six months ended 30 June 2010

	Cement (Unaudited) RMB'000	Modern building materials (Unaudited) RMB'000	Property development (Unaudited) RMB'000	Property investment and management (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue:					
External customers	3,473,603	1,578,470	2,288,520	426,596	7,767,189
Intersegment	3,154	74,670	–	8,818	86,642
Total revenue	3,476,757	1,653,140	2,288,520	435,414	7,853,831
Reconciliation:					
Elimination of intersegment sales					(86,642)
Revenue					7,767,189
Segment results	602,867	86,244	559,908	605,323	1,854,342
Reconciliation:					
Elimination of intersegment results					–
Interest income					23,559
Corporate and unallocated expenses, net					(47,402)
Finance costs					(169,766)
Profit before tax					1,660,733

Notes to Unaudited Interim Condensed Consolidated Financial Statements

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2009

	Cement (Unaudited and restated) RMB'000	Modern building materials (Unaudited and restated) RMB'000	Property development (Unaudited and restated) RMB'000	Property investment and management (Unaudited and restated) RMB'000	Total (Unaudited and restated) RMB'000
Segment Revenue:					
External customers	2,191,179	1,300,508	1,398,501	349,186	5,239,374
Intersegment	3,348	2,972	187,057	11,249	204,626
Total revenue	2,194,527	1,303,480	1,585,558	360,435	5,444,000
Reconciliation:					
Elimination of intersegment sales					(204,626)
Revenue					5,239,374
Segment results	393,984	107,633	397,978	327,007	1,226,602
Reconciliation:					
Elimination of intersegment results					462
Interest income					10,327
Corporate and unallocated expenses, net					(25,550)
Finance costs					(126,212)
Profit before tax					1,085,629

Notes to Unaudited Interim Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended	
	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
Revenue		
Sale of goods	**4,817,437**	3,339,943
Sale of properties	**2,268,316**	1,376,854
Gross rental income from investment properties	**211,171**	181,046
Property management fees	**131,373**	107,241
Rendering of services	**107,426**	47,090
Income from processing industrial waste	**69,504**	56,268
Hotel operations	**75,327**	62,013
Others	**86,635**	68,919
	7,767,189	5,239,374
Other income and gains		
Gross rental income from lease of plant and machinery	**29,391**	21,729
Gain on disposals of items of property, plant and equipment	**9,897**	13,004
Gain on disposals of land use rights	**–**	26,677
Gain on disposals of investment properties	**–**	29,569
Gain on disposal of a jointly-controlled entity	**44,038**	–
Bank interest income	**23,559**	10,327
Interest income received from a jointly-controlled entity	**104**	6,502
Relocation compensation	**13,549**	28,629
Government grants		
– Recognition of deferred income	**10,200**	25,900
– Value-added tax refund	**242,203**	95,239
Service fee income	**31,010**	13,213
Others	**61,390**	32,829
	465,341	303,618

Notes to Unaudited Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June 2010 (Unaudited) RMB'000	Six months ended 30 June 2009 (Unaudited and restated) RMB'000
Cost of inventories sold	**5,383,634**	3,453,630
Cost of services provided	**473,895**	325,957
Depreciation	**283,628**	168,242
Amortisation of land use rights	**22,429**	14,868
Amortisation of other intangible assets*	**1,375**	523
Amortisation of mining rights	**3,976**	2,192
Impairment of trade receivables, net**	**15,149**	2,008
Losses/(gains) on disposal of items of property, plant and equipment, net	**(4,783)**	12,580

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

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

6. FINANCE COSTS

	Six months ended 30 June 2010 (Unaudited) RMB'000	Six months ended 30 June 2009 (Unaudited and restated) RMB'000
Interest on bank loans	**279,793**	236,887
Interest on corporate bonds	**44,166**	14,616
Less: Interest capitalized	**(154,193)**	(125,291)
	169,766	126,212

Notes to Unaudited Interim Condensed Consolidated Financial Statements

7. INCOME TAX

	Six months ended 30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
Current		
PRC corporate income tax	**307,099**	230,044
PRC land appreciation tax	**168,174**	70,243
	475,273	300,287
Deferred	**65,772**	33,030
Total tax charge for the period	**541,045**	333,317

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2009: Nil).

PRC corporate income tax

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

PRC land appreciation tax

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

8. DIVIDEND

The board of directors has resolved not to declare any interim dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

9. EARNINGS PER SHARE

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

No diluted earnings per share amounts have been presented as no diluting events exercised during the reporting period.

	Six months ended	
	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	1,017,655	709,233

	Number of Shares	
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	3,873,332,500	2,800,000,000

Notes to Unaudited Interim Condensed Consolidated Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment at a total cost of RMB2,513,355,000 (six months ended 30 June 2009: RMB1,084,688,000 (restated)), excluding property, plant and equipment acquired through a business combination (see note 15). Items of property, plant and equipment with net book value of RMB53,350,000 were disposed of during the period (six months ended 30 June 2009: RMB70,987,000 (restated)).

As at 30 June 2010, certain property, plant and equipment of the Group with net carrying amount of approximately RMB441,661,000 (31 December 2009: RMB308,056,000 (restated)) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2010, the Group is in the process of applying for or changing registration of the title certificates for certain of their buildings.

11. TRADE AND BILLS RECEIVABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Trade receivables	**2,321,449**	1,688,300
Bills receivable	**525,623**	405,678
Less: Impairment	**(332,194)**	(317,045)
	2,514,878	1,776,933

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

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Within 6 months	**1,370,492**	847,472
7 to 12 months	**461,032**	365,752
1 to 2 years	**129,504**	110,174
2 to 3 years	**18,904**	29,239
Over 3 years	**9,323**	18,618
	1,989,255	1,371,255

12. TRADE AND BILLS PAYABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Trade payables	**2,636,895**	2,307,524
Bills payable	**218,208**	175,607
	2,855,103	2,483,131

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

Notes to Unaudited Interim Condensed Consolidated Financial Statements

12. TRADE AND BILLS PAYABLES *(continued)*

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Within 3 months	**699,185**	1,161,642
4 to 6 months	**492,793**	368,494
7 to 12 months	**662,419**	314,318
1 to 2 years	**581,192**	352,483
2 to 3 years	**103,988**	61,241
Over 3 years	**97,318**	49,346
	2,636,895	2,307,524

13 INTEREST-BEARING BANK LOANS

As at 30 June 2010, the bank and other borrowings bear interest at rates ranging from 3.59% to 7.92% per annum (31 December 2009: 4.37% to 7.92% per annum).

During the reporting period, the Group obtained new bank loans of approximately RMB8,581,171,000 (six months ended 30 June 2009: RMB3,378,396,000 (restated)) to finance the Group's operation.

14. BUSINESS COMBINATION UNDER COMMON CONTROL

On 17 January 2010, the Company entered into six acquisition agreements (collectively, the "Acquisition Agreements") with the Parent and Beijing Dacheng Property Development Co., Ltd. ("Dacheng Property"), a wholly-owned subsidiary of the Parent.

Pursuant to the Acquisition Agreements, the Company acquired 60.64% equity interest in Tianjin Zhenxing Cement Co., Ltd. (天津振興水泥有限公司) ("Zhenxing Cement") and 100% equity interest in Shanghai Sanming Building Materials Co., Ltd. (上海三明建材有限公司) ("Shanghai Sanming") from the Parent at cash considerations of approximately RMB400 million and RMB14 million, respectively. Zhenxing Cement is engaged in cement manufacturing and Shanghai Sanming is engaged in manufacturing and sales of building materials. Zhenxing Cement and Shanghai Sanming were acquired by the Parent from third parties in 2009 and 2008, respectively.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

Dacheng Property was a state-owned enterprise administrated by Beijing SASAC and became a wholly-owned subsidiary of the Parent when Beijing SASAC transferred its 100% equity interest in Dacheng Property to the Parent in August 2009 for nil consideration. The transfer of 100% equity interest in Dacheng Property from Beijing SASAC to the Parent is deemed as a business combination under common control as both Dacheng Property and the Parent are controlled by Beijing SASAC.

Pursuant to the Acquisition Agreements, Dacheng Property transferred 90% equity interest in Zhangjiakou Jinyu Cement Co., Ltd. (張家口金隅水泥有限公司) ("Zhangjiakou Cement"), 90% equity interest in Quyang Jinyu Cement Co., Ltd. (曲陽金隅水泥有限公司) ("Quyang Cement"), 100% equity interest in Zhuolu Yongxing Cement Co., Ltd. (涿鹿永興水泥有限責任公司) ("Yongxing Cement") and 100% equity interest in Beijing Dacheng Development Group Co., Ltd. (北京大成開發集團有限公司) ("Dacheng Development") to the Company for cash considerations of approximately RMB271 million, RMB48 million, Nil and RMB763 million, respectively. Zhangjiakou Cement, Quyang Cement and Yongxing Cement are all engaged in manufacturing and sales of cement and Dacheng Development is engaged in real estate development, property investment and provision of property management services.

Since the Company, Zhenxing Cement, Shanghai Sanming, Zhangjiakou Cement, Quyang Cement, Yongxing Cement and Dacheng Development 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 Company are considered as common control combinations.

The Group has applied merger accounting as prescribed in Accounting Guidance 5 issued by HKICPA to account for the business combination under common control as if the acquisitions had been occurred and these acquired subsidiaries had been combined from the beginning of the earliest financial period of the consolidated financial statements presented or the date when they were firstly under the common control, whichever 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 unaudited interim condensed consolidated income statement includes the results of the Group and these acquired subsidiaries from 1 January 2009, the earliest date presented or the date when Zhenxing Cement first became a subsidiary of the Parent, regardless of the date of the business combinations under common control.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

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

The reconciliation of the effect arising from the common control combination on the unaudited interim condensed consolidated income statement for the six months ended 30 June 2009 is as follows:

For the six months ended 30 June 2009

	The Group excluding the acquired subsidiaries under common control (As previously reported) RMB'000	The acquired subsidiaries under common control RMB'000	Consolidated (As restated) RMB'000
Revenue	5,100,194	139,180	5,239,374
Profit before tax	1,120,301	(34,672)	1,085,629
Profit for the period	771,604	(19,292)	752,312

The reconciliation of the effect arising from the common control combination on the unaudited interim condensed consolidated statements of financial position as at 31 December 2009 is as follows:

As at 31 December 2009

	The Group excluding the acquired subsidiaries under common control (As previously reported) RMB'000	The acquired subsidiaries under common control RMB'000	Consolidated (As restated) RMB'000
Non-current assets	17,916,231	2,085,899	20,002,130
Current assets	17,540,433	3,716,870	21,257,303
Current liabilities	(11,074,940)	(3,526,248)	(14,601,188)
Non-current liabilities	(7,897,358)	(1,108,907)	(9,006,265)
Net assets	16,484,366	1,167,614	17,651,980
Equity attributable to owners of the Company	14,961,473	844,538	15,806,011
Non-controlling interests	1,522,893	323,076	1,845,969
Equity	16,484,366	1,167,614	17,651,980

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. ACQUISITION OF SUBSIDIARIES

In January 2010 and February 2010, the Group acquired 80% and 91% equity interests in Shijiazhuang Xucheng Concrete Co., Ltd. (石家莊旭成建材有限公司) ("Xucheng") and Handan Shexian BBMG Cement Co., Ltd. (邯鄲涉縣金隅水泥有限公司) ("Shexian") for cash considerations of RMB24,047,000 and RMB181,679,000, respectively. Xucheng is mainly engaged in manufacturing and sale of concrete and Shexian is mainly engaged in manufacturing and sale of cement. 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 recognized on acquisition RMB'000
Property, plant and equipment	322,150
Land use right	98,362
Inventory	18,252
Trade and bills receivables	10,062
Cash and bank	17,650
Prepayments, deposits and other receivables	8,196
Trade and bills payables	(87,165)
Other payables and accruals	(147,659)
Interest-bearing bank and other loans	(47,200)
Deferred tax liabilities	(24,733)
	167,915
Non-controlling interests	(18,419)
Goodwill on acquisition	56,230
	205,726
Satisfied by:	
Cash and cash equivalents	205,726

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

	RMB'000
Cash consideration	(205,726)
Cash and bank balances acquired	17,650
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(188,076)

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. ACQUISITION OF SUBSIDIARIES *(continued)*

Since the acquisitions, the newly acquired subsidiaries made contribution of RMB77,970,000 to the Group's turnover and accounted for profit before tax of RMB8,079,000 to the consolidated profit before tax for the six months ended 30 June 2010.

Had the combinations taken place on 1 January 2010, consolidated revenue and consolidated profit before tax of the Group for the six months ended 30 June 2010 would have been RMB7,789,492,000 and RMB1,647,829,000, respectively.

In February 2009 and May 2009, the Group acquired 70% equity interests in Tianjin Zhonghang Konggang Building Material Co., Ltd. ("Zhonghang") and 60% equity interests in Zhangjiakou Shengtong Building Material Co., Ltd. ("Shengtong") for cash considerations of RMB11,258,000 and RMB11,921,000, respectively. Zhonghang is mainly engaged in manufacturing and sales of concrete and Shengtong is engaged in manufacturing and sales of mineral power. The aggregate fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the respective acquisition date were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	39,375
Deferred tax assets`	1,084
Inventory	3,394
Trade and bills receivables	28,522
Cash and bank	1,518
Prepayments, deposits and other receivables	42,883
Trade and bills payables	(31,878)
Other payables and accruals	(44,167)
Tax payable	(4,779)
	35,952
Non-controlling interests	(12,773)
Goodwill on acquisition	–
	23,179
Satisfied by:	
Cash and cash equivalents	23,179

Notes to Unaudited Interim Condensed Consolidated Financial Statements

15. ACQUISITION OF SUBSIDIARIES *(continued)*

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

	RMB'000
Cash consideration	(23,179)
Cash and bank balances acquired	1,518
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(21,661)

Since the acquisitions, the newly acquired subsidiaries made contribution of RMB115,205,000 to the Group's turnover and accounted for profit before tax of RMB6,733,000 to the consolidated profit before tax for six months ended 30 June 2009.

Had the combinations taken place on 1 January 2009, consolidated revenue and consolidated profit before tax of the Group for six months ended 30 June 2009 would have been RMB5,439,151,000 and RMB1,087,723,000 respectively.

16. CONTINGENT LIABILITIES

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

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	(i)	**2,823,607**	2,214,765

Note:

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

The fair value of the guarantees is not significant and the directors 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.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

16. CONTINGENT LIABILITIES *(continued)*

(b) As at 30 June 2010 and 31 December 2009, the Group had contingent liabilities in relation to the transfer of certain other payables balances to the Parent in an aggregate amount of approximately RMB176.3 million. The Group may remain liable if the Parent fails to fulfill its obligations in respect of these transferred liabilities. Pursuant to an indemnification undertaking, the Parent has agreed to indemnify the Group in respect of any loss or damage relating to the transferred liabilities as mentioned above.

(c) As at 30 June 2010 and 31 December 2009, the Group had contingent liabilities in relation to not having proper legal title to certain of its properties. The Group may be subject to penalties, lawsuits or other actions taken against the Group. No provision has been made for such potential legal proceedings and claims as the outcome of the legal proceedings and claims cannot be reasonably estimated and management believes that the probability of loss is remote. The Parent has agreed to indemnify the Group in respect of any loss or damage relating to the defective title certificate.

17. COMMITMENTS

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**495,310**	712,636
Properties being developed by the Group for sale	**2,332,206**	2,370,970
Equity and assets acquisition	**3,781,355**	–
	6,608,871	3,083,606

Notes to Unaudited Interim Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Six months ended	
	30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
Sale of goods to the Parent and its subsidiaries ("Parent Group")	**68,132**	15,626
Sale of properties to the Parent	**–**	111,627
Sale of goods to jointly-controlled entities	**5,357**	6,647
Sale of goods to associates	**–**	73,765
Purchase of goods from the Parent Group	**127,781**	119,641
Purchase of goods from jointly-controlled entities	**7,030**	9,404
Render of services to the Parent	**23,538**	–
Purchase of services from the Parent Group	**22,566**	–
Purchase of goods from associates	**–**	150,935
Rental income from jointly-controlled entities	**312**	2,328
Rental income from associates	**2,703**	4,937
Rental expense paid to the Parent Group	**5,926**	–
Compensation fee received from the Parent	**12,455**	–
Relocation fee paid to the Parent	**328,052**	–
Interest income from jointly-controlled entities	**104**	6,502

Notes to Unaudited Interim Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS *(continued)*

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

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

(b) Outstanding balances with related parties

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Unaudited and restated) RMB'000
Trade receivables due from		
– The Parent Group	107,967	87,704
– Associates	–	107
Other receivables due from		
– The Parent Group	16,289	25,951
– Jointly-controlled entities	37,601	129,348
– Associates	24,391	8,389
Trade payables due to		
– The Parent Group	23,673	14,944
– Jointly-controlled entity	4,232	4,256
Other repayables due to		
– Jointly-controlled entity	204,000	–

Except for the amounts due from jointly-controlled entities and an associate of approximately RMB5,514,000 (31 December 2009: RMB92,190,000 (restated)), which are interest-bearing, the above balances are non-interest-bearing.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June 2010 (Unaudited) RMB'000	30 June 2009 (Unaudited and restated) RMB'000
Short-term employee benefits	1,196	1,484
Pension scheme contribution	60	69
Total compensation paid to key management personnel	1,256	1,553

Notes to Unaudited Interim Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS *(continued)*

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

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

19. EVENTS AFTER THE REPORTING PERIOD

On 31 May 2010, the Company or its subsidiaries (as purchaser) and the Parent or its subsidiaries (as vendor) entered into various agreements for the acquisition of equity interests in certain entities and assets of two entities (the "Equity and Asset Acquisitions"). The aggregate consideration of the Equity and Asset Acquisitions of approximately RMB2,651 million will be funded by the Group's internal resources.

Details of the Equity and Asset Acquisitions have been disclosed by the Company in its announcements dated 31 May and 9 June 2010 and circular dated 11 June 2010.

The Equity and Asset Acquisitions have been approved by the shareholders of the Company at its extraordinary general meeting held on 27 July 2010 and the completion of the Equity and Asset Acquisitions are subject to registration of transfer with the relevant authorities.