CNBM

China National Building Material Company Limited *

(Stock Code：3323)

2011 ANNUAL REPORT

*For identification only

Financial and Business Highlights

	As at 31 December		
	2011	2010	Growth rate
		(RMB in millions)	
Bank balances and cash	**9,738**	7,972	22.2%
Total assets	**158,395**	111,516	42.0%
Equity attributable to equity holders of the Company	**26,332**	19,162	37.4%
Earnings per share-basic *(RMB)*	**1.48**	0.66	124.2%

	For the year ended 31 December		
	2011	2010	Growth rate
		(RMB in millions)	
Revenue	**80,058**	51,988	54.0%
Profit after taxation	**10,746**	4,743	126.6%
Profit attributable to equity holders of the Company	**8,015**	3,369	137.9%
Net cash flows from operating activities	**12,054**	6,032	99.8%
Sales volume of cement and clinker *(in thousand tonnes)*	**183,588**	152,274	20.6%
— China United	**61,188**	58,558	4.5%
— South Cement	**101,733**	84,706	20.1%
— North Cement	**15,524**	9,010	72.3%
— Binzhou Cement	**2,169**		
— Southwest Cement	**2,974**		
Gypsum board *(in million m^2)*	**877**	654	34.1%
Revenue from engineering service *(RMB in millions)*	**6,890**	5,096	35.2%
Rotor blade *(in blade)*	**3,538**	6,699	-47.2%
Glass fibre yarn *(in thousand tonnes)*	**747**	714	4.6%

Selling price			
Cement sold by China United *(RMB per tonne)*	**295.9**	239.6	23.5%
Clinker sold by China United *(RMB per tonne)*	**278.4**	217.5	28.0%
Cement sold by South Cement *(RMB per tonne)*	**340.1**	251.3	35.4%
Clinker sold by South Cement *(RMB per tonne)*	**316.5**	232.0	36.4%
Cement sold by North Cement *(RMB per tonne)*	**327.9**	280.0	17.1%
Clinker sold by North Cement *(RMB per tonne)*	**285.6**	214.3	33.3%
Cement sold by Binzhou Cement *(RMB per tonne)*	**400.3**		
Clinker sold by Binzhou Cement *(RMB per tonne)*	**287.3**		
Cement sold by Southwest Cement *(RMB per tonne)*	**282.4**		
Clinker sold by Southwest Cement *(RMB per tonne)*	**257.3**		
Gypsum board			
— BNBM *(RMB per m^2)*	**7.22**	6.88	4.9%
— Taishan Gypsum *(RMB per m^2)*	**5.05**	5.08	-0.6%
Rotor blade *(RMB per blade)*	**389,500.0**	356,567.7	9.2%

CNBM

Contents

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

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

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

With Parent, BNBMG, CNBM Trading, Cinda and Building Materials Academy as Promoters, the Company was converted into a joint stock limited company on 28 March 2005. The Company's H shares under the initial public offering were listed on the Stock Exchange on 23 March 2006 (Stock Code: 3323) and approximately 150 million H shares, 300 million H shares and 240 million H shares were placed on 9 August 2007, 5 February 2009 and 14 September 2010, respectively. The Company issued bonus shares on 13 June 2011 on the basis of ten bonus shares to be issued for every ten shares held by the Shareholders. Upon the issue of bonus shares, the Company has a total issued share capital of 5,399,026,262 Shares (comprising 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares).

The Group is mainly engaged in cement, lightweight building materials, glass fibre, composite materials and engineering services businesses. As regards the current market positions (in terms of the production capacity in 2011), the Group is:

- the largest cement producer in the PRC;
- the largest gypsum board producer in Asia;
- the largest producer of rotor blade in the PRC;
- a leading glass fibre producer in the world through China Fiberglass, an associate of the Company;
- an international engineering firm that provides glass and cement production lines design and EPC services in the PRC, designed and/or constructed over 80% of the float glass production lines and more than 90% of high-grade float glass production lines in the PRC for the past 6 years.

Corporate Information

DIRECTORS:

Executive Directors

Song Zhiping *(Chairman)*
Cao Jianglin *(President)*
Peng Shou *(Vice President)*
Cui Xingtai *(Vice President)*
Chang Zhangli *(Vice President)*

Non-executive Directors

Guo Chaomin
Huang Anzhong
Cui Lijun

Independent Non-executive Directors

Qiao Longde
Li Decheng
Ma Zhongzhi
Shin Fang
Wu Liansheng

STRATEGIC STEERING COMMITTEE:

Song Zhiping *(Chairman)*
Qiao Longde
Cao Jianglin

NOMINATION COMMITTEE:

Qiao Longde *(Chairman)*
Li Decheng
Song Zhiping

REMUNERATION COMMITTEE:

Li Decheng *(Chairman)*
Shin Fang
Song Zhiping

AUDIT COMMITTEE:

Wu Liansheng *(Chairman)*
Ma Zhongzhi
Cui Lijun

SUPERVISORS:

Wu Jiwei *(Chairman)*
Zhou Guoping
Cui Shuhong (Staff Representative Supervisor)
Liu Zhiping (Staff Representative Supervisor)
Tang Yunwei (Independent Supervisor)
Zhao Lihua (Independent Supervisor)

Secretary of the Board:	Chang Zhangli
Joint Company Secretaries:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives:	Song Zhiping Chang Zhangli
Alternate Authorized Representative:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (ACS, ACIS), alternate to Lo Yee Har Susan)
Qualified Accountant:	Pei Hongyan (FCCA)
Registered Address:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code:	100037
Place of Representative Office in Hong Kong:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong

Corporate Information *(Continued)*

Principal Bankers:	Bank of Communications Co., Ltd. Agricultural Bank of China Limited Shanghai Pudong Development Bank Co., Ltd.
PRC Legal Adviser:	Jingtian and Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC
Hong Kong Legal Adviser:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor:	Baker Tilly Hong Kong Limited 2nd Floor, 625 King's Road, North Point, Hong Kong
Domestic Auditor:	Vocation International Certified Public Accountants Co., Ltd. Room 208, Building B of Huatong Mansion No. 19 (Yi), Chegongzhuang West Road Haidian District, Beijing The PRC
H Share Registrar in Hong Kong:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code:	3323
Company Website:	http: //cnbm.wsfg.hk www.cnbmltd.com

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

"Baishan Jingang"	金剛（集團）白山水泥有限公司 (Jingang (Group) Baishan Cement Company Limited)
"Baker Tilly HK"	天職香港會計師事務所有限公司（Baker Tilly Hong Kong Limited）
"Bengbu Triumph"	蚌埠凱盛工程技術有限公司 (China Triumph Bengbu Engineering and Technology Company Limited)
"Binzhou Cement"	黑龍江省賓州水泥有限公司 (Heilongjiang Binzhou Cement Company Limited)
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Public Limited Company)
"BNBMG"	北新建材集團有限公司 (Beijing New Building Material Group Company Limited)
"BNBM Homes"	北新房屋有限公司 (BNBM Homes Company Limited)
"BNBM PNG"	北新巴布亞新幾內亞有限公司 (BNBM Papua New Guinea Company Limited)
"BNBM Suzhou"	蘇州北新礦棉板有限公司 (BNBM Suzhou Mineral Fiber Ceiling Company Limited)
"BND"	北新物流有限公司(BND Co., Limited)
"BNS"	北新科技發展有限公司 (BNS Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Corporation)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBMI Logistics"	中建投物流有限公司 (CNBMI Logistics Company Limited)

"CNBM Investment"	中建材投資有限公司 (CNBM Investment Company Limited)
"CNBMIT"	中建投商貿有限公司 (CNBMIT Co., Ltd)
"CNBM Trading"	中建材集團進出口公司 (China National Building Material Import and Export Company)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Company Law"	the Company Law of the People's Republic of China
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission)
"Dequan Wangqing"	吉林德全集團汪清水泥有限責任公司 (Jilin Dequan Cement Group Wangqing Co., Ltd.)
"Dezhou China United"	德州中聯大壩水泥有限公司 (China United Cement Dezhou Daba Co., Ltd.)
"Domestic Shares"	the domestic shares in the share capital of the Company
"EPC"	turn-key project services that include design, procurement and construction
"Four Focuses"	focus on market, management, development and financing
"Group", "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Shares"	the overseas listed foreign shares in the share capital of the Company
"Hangzhou South Cement"	杭州南方水泥有限公司 (Hangzhou South Cement Company Limited)
"Huzhou South Cement"	湖州南方水泥有限公司 (Huzhou South Cement Company Limited)
"Huaihai China United"	淮海中聯水泥有限公司(China United Cement Huaihai Co., Ltd.)
"Huaihai Economic Zone"	the Huaihai Economic Zone is an area of approximately 178,100 square kilometers covering 20 municipalities (地級市) located in southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"Hunan South Cement"	湖南南方水泥集團有限公司 (Hunan South Cement Group Company Limited)

"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) independent of the directors, supervisors, controlling shareholder, substantial shareholder and the chief executive (such terms as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate of any of them
"Jiamusi North Cement"	佳木斯北方水泥有限公司 (Jiamusi North Cement Company Limited)
"Jiaxing South Cement"	嘉興南方水泥有限公司 (Jiaxing South Cement Company Limited)
"Jiangsu South Cement"	江蘇南方水泥有限公司 (Jiangsu South Cement Company Limited)
"Jiangxi South Cement"	江西南方水泥有限公司 (Jiangxi South Cement Company Limited)
"Jinhua South Cement"	金華南方水泥有限公司 (Jinhua South Cement Company Limited)
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"KPI"	Key performance index
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"Lunan China United"	魯南中聯水泥有限公司 (China United Cement Lunan Co., Ltd.)
"Nanjing China United"	南京中聯水泥有限公司 (China United Cement Nanjing Co., Ltd.)
"Nanjing Triumph"	南京凱盛國際工程有限公司 (Nanjing Triumph International Engineering Company Limited)
"North Cement"	北方水泥有限公司 (North Cement Company Limited)
"NPC"	the National People's Congress of the People's Republic of China
"NSP"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PCP"	PCP, Price-Cost-Profit
"PRC"	the People's Republic of China

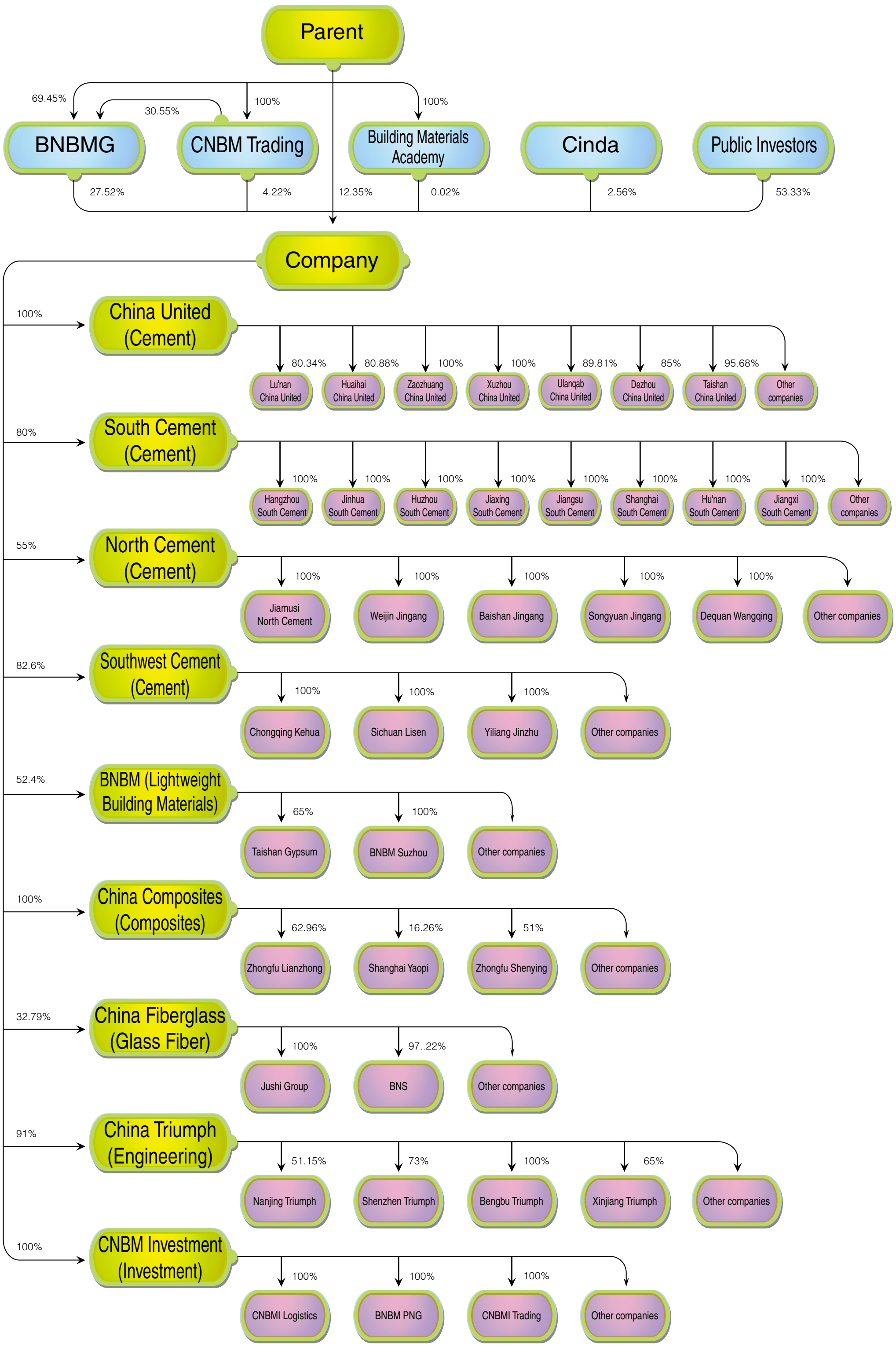
Definitions (Continued)

"Promoters"	the initial promoters of the Company, being Parent, BNBMG, Cinda, Building Materials Academy and CNBM Trading
"Reporting Period"	the period from 1 January 2011 to 31 December 2011
"RMB"or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SASAC"	國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Sate Council)
"Shanghai South Cement"	上海南方水泥有限公司 (Shanghai South Cement Company Limited)
"Shanghai Yaopi"	上海耀華皮爾金頓玻璃股份有限公司 (Shanghai Yaohua Pilkington Glass Co., Ltd.)
"Share(s)"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Triumph"	深圳市凱盛科技工程有限公司 (CTIEC Shenzhen Scieno-tech Engineering Company Limited)
"Songyuan Jingang"	遼源金剛水泥(集團)松原有限公司 (Liaoyuan Jingang Cement (Group) Songyuan Company Limited)
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southeast Economic Zone"	the Southeast Economic Zone is situated in the southeast region of the PRC which includes but is not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan
"Southwest Cement"	西南水泥有限公司(Southwest Cement Company Limited)
"Southwest Region"	including (but not limited to) Sichuan, Yunnan, Guizhou and Chongqing
"State", "state", "PRC Government" or "PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"State Council"	the State Council of the People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company

"Taishan China United"	泰山中聯水泥有限公司 (China United Cement Taishan Co., Ltd.)
"Taishan Gypsum"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited)
"Three Five Management"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio
"Three New"	new building materials, new homes and new energy materials
"Wulanchabu China United"	烏蘭察布中聯水泥有限公司 (China United Cement Wulanchabu Co., Ltd.)
"UHY HK"	UHY Vocation HK CPA Limited (former Chinese name known as 天職香港會計師事務所有限公司)
"Vocation International"	天職國際會計師事務所有限公司 (Vocation International Certified Public Accountants Co., Ltd.)
"Weijin Jingang"	遼源渭津金剛水泥有限公司 (Liaoyuan Weijin Jingang Cement Company Limited)
"Xinjiang Triumph"	新疆凱盛建材設計研究院 (Xinjiang Triumph Building Materials Designing Institute)
"Xixia China United"	西峽中聯水泥有限公司 (China United Cement Xixia Co., Ltd.)
"Xuzhou China United"	徐州中聯水泥有限公司 (China United Cement Xuzhou Co., Ltd.)
"Zaozhuang China United"	棗莊中聯水泥有限公司 (China United Cement Zaozhuang Co., Ltd.)
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司 (Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限責任公司 (Zhongfu Shenying Carbon Fiber Company Limited)

Shareholding Structure of the Group

The simplified structure of the Group as at 31 December 2011 is set out as below:



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

The summary of financial results of the Group for 2011 and 2010 is as follows:

	For the year ended 31 December	
	2011	2010
	(RMB in thousands)	
Revenue	**80,058,470**	51,987,763
Gross profit	**21,316,592**	11,208,844
Profit after taxation	**10,745,739**	4,743,040
Profit attributable to equity holders of the Company	**8,015,074**	3,369,433
Distribution made to the equity holders of the Company	**502,109**	173,685
Earnings per share — basic *(RMB)*(1)	**1.48**	0.66

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 5,083,241,964 shares for 2010 and the weighted average number of 5,399,026,262 shares for 2011.

	As at 31 December	
	2011	2010
	(RMB in thousands)	
Total assets	**158,395,218**	111,516,350
Total liabilities	**120,784,056**	83,617,964
Net assets	**37,611,162**	27,898,386
Non-controlling interests	**11,279,394**	8,735,906
Equity attributable to equity holders of the Company	**26,331,768**	19,162,480
Net assets per share — weighted average *(RMB)*(1)	**4.88**	3.77
Debt to assets ratio(2)	**54.2%**	53.0%
Net debts/equity ratio(3)	**202.4%**	183.3%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of each period and on the weighted average number of 5,083,241,964 shares for 2010 and the weighted average number of 5,399,026,262 shares for 2011.

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

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

The major operating data of each segment of the Group for 2011 and 2010 are set out below:

CEMENT SEGMENT

China United

	For the year ended 31 December 2011	2010
Production volume-cement *(in thousand tonnes)*	**41,204.5**	37,729.4
Production volume-clinker *(in thousand tonnes)*	**46,572.1**	42,917.5
Sales volume-cement *(in thousand tonnes)*	**41,297.9**	38,993.2
Sales volume-clinker *(in thousand tonnes)*	**19,890.0**	19,565.1
Unit selling price-cement *(RMB per tonne)*	**295.9**	239.6
Unit selling price-clinker *(RMB per tonne)*	**278.4**	217.5

South Cement

	For the year ended 31 December 2011	2010
Production volume-cement *(in thousand tonnes)*	**75,746.4**	66,016.2
Production volume-clinker *(in thousand tonnes)*	**74,732.0**	63,009.1
Sales volume-cement *(in thousand tonnes)*	**78,339.3**	65,909.7
Sales volume-clinker *(in thousand tonnes)*	**23,393.9**	18,796.1
Unit selling price-cement *(RMB per tonne)*	**340.1**	251.3
Unit selling price-clinker *(RMB per tonne)*	**316.5**	232.0

North Cement

	For the year ended 31 December 2011	2010
Production volume-cement *(in thousand tonnes)*	**9,343.6**	5,178.4
Production volume-clinker *(in thousand tonnes)*	**11,171.8**	6,470.0
Sales volume-cement *(in thousand tonnes)*	**9,421.3**	5,090.5
Sales volume-clinker *(in thousand tonnes)*	**6,103.0**	3,920.0
Unit selling price-cement *(RMB per tonne)*	**327.9**	280.0
Unit selling price-clinker *(RMB per tonne)*	**285.6**	214.3

Binzhou Cement

	For the year ended 31 December 2011
Production volume-cement *(in thousand tonnes)*	**1,785.7**
Production volume-clinker *(in thousand tonnes)*	**1,753.4**
Sales volume-cement *(in thousand tonnes)*	**1,753.3**
Sales volume-clinker *(in thousand tonnes)*	**415.6**
Unit selling price-cement *(RMB per tonne)*	**400.3**
Unit selling price-clinker *(RMB per tonne)*	**287.3**

Southwest Cement

	For the year ended 31 December 2011
Production volume-cement *(in thousand tonnes)*	**3,075.3**
Production volume-clinker *(in thousand tonnes)*	**1,965.9**
Sales volume-cement *(in thousand tonnes)*	**2,754.7**
Sales volume-clinker *(in thousand tonnes)*	**219.1**
Unit selling price-cement *(RMB per tonne)*	**282.4**
Unit selling price-clinker *(RMB per tonne)*	**257.3**

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December 2011	2010
Gypsum boards — BNBM		
Production volume *(in million m^2)*	**142.7**	106.3
Sales volume *(in million m^2)*	**134.8**	101.4
Average unit selling price *(RMB per m^2)*	**7.22**	6.88
Gypsum boards — Taishan Gypsum		
Production volume *(in million m^2)*	**763.1**	571.8
Sales volume *(in million m^2)*	**742.2**	552.7
Average unit selling price *(RMB per m^2)*	**5.05**	5.08

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December 2011	2010
Rotor blade		
Production volume *(in blade)*	**3,849.0**	6,946.0
Sales volume *(in blade)*	**3,538.0**	6,699.0
Average unit selling price *(RMB per blade)*	**389,500.0**	356,567.7

SONG ZHIPING
Chairman
Executive Director

Dear Shareholders,

In 2011, amid complex domestic and foreign economic environments, the Central Government focused on accelerating the transformation of economic development mode with comprehensive implementation of political measures through strengthening and improving its macro-economic control. The national economy maintained a steady and relatively fast momentum, with a year-on-year increase of 9.2% in GDP during the year, while the total investments in fixed assets in China increased by 23.6% over the same period last year, heralding a promising beginning under the "Twelfth Five-Year Plan". With enhanced efforts in energy conservation and emissions reduction, technology advancement as well as management innovation, the economic outlook for the building materials industry has been improved considerably.

Being the inaugural year of the State's "Twelfth Five-Year Plan", the year of 2011 also earmarked the critical moment for the rapid growth of CNBM. Over the past year, under the discerning decisions and leadership of the Board, the management team spearheaded our staff to rise to numerous challenges arising from the complicated domestic and international economic situations, while expediting the development mode and structural adjustment in the building materials industry in support of the consolidation and restructuring opportunities of large enterprises. By taking initiatives riding on the trend, we achieved remarkable breakthroughs in terms of innovation, consolidation and restructuring, management integration as well as capital operation, thereby unveiling a brand new chapter of the development of the "Twelfth Five-Year Plan". Under IFRS, the Group's consolidated revenue amounted to RMB80,058 million for 2011, representing an increase of 54.0% over 2010. Profit attributable to equity holders of the Company amounted to RMB8,015 million, representing an increase of 137.9% over 2010. By taking this opportunity, I would like to express my heartfelt gratitude to all our shareholders for their lasting support and affection.

On behalf of the Board, I am pleased to present the Company's 2011 Annual Report and major results to you:

SPECIFYING STRATEGIC OBJECTIVES AND ADHERING TO A GROWTH MODE WITH DISTINCTIVE FEATURES

By realizing and capturing the significant opportunities emerging from China's economic restructuring and structural adjustments in the building materials industry, CNBM was able to grow amidst the competitive building materials industry with a clear target of "becoming a top-notch building materials manufacturer and maximizing shareholders' return", making steadfast progress in the areas of capital operation, consolidation and restructuring, management integration as well as integrated innovation. This approach was in line with the intrinsic logic of CNBM's growth and the objective requirements of the development of the building materials industry in the PRC. In respect of capital operation, we fully utilized the capital markets and bank financing to establish a multi-channel financing system at all levels to support the Company's development. In respect of consolidation and restructuring and management integration, we further fostered and fortified consolidation and restructuring, strengthened our management integration and promoted energy saving by restricting production for the healthy growth of the industry, which enabled us to enhance our profits and guide the development concept and reform of the developing approach in the building materials industry. In respect of technological innovation, we thrived on original innovation and adopted absorption and re-innovation by vigorously encouraging the idea of integrated innovation, with an aim to taking the lead as a forerunner in the relevant sectors of the industry.

PERSISTENCE IN INNOVATION OF BUSINESS MODE AND SEIZING THE DEVELOPMENT OPPORTUNITIES

Innovation, being a strong impetus and inexhaustible driver for the sustainable development of enterprises, is reflected not only in the field of science and technology, but also in various areas including development strategy, operating ideas and business models. In 2011, the cement industry outperformed many other industries and recorded reasonable profit, thanks to our consolidation and restructuring strategy and rational market competition being widely recognized and effectively functioned. Through the innovative business model, CNBM maneuvered and impelled the industry to improve values.

ADVOCATING "MARKET-ORIENTED OPERATION OF CENTRAL STATE-OWNED ENTERPRISES" IN THE PURSUIT OF COMPREHENSIVE GROWTH

As a central state-owned building materials enterprise in an overproduction and a highly market-oriented sector, CNBM creatively put forward and implemented the mode of the " market-oriented operation of central state-owned enterprises", which combined the strength of state-owned enterprises with the vitality of non-state owned enterprises to enhance the competitiveness of enterprises. This Chinese-style integration mode of enterprises promoted not only the organic growth, but also the co-development of different ownership enterprises, thus receiving support and recognition in the industry and community.

Priding on our past performance, we are well-prepared to cater for the future.

In 2012, China's economy will maintain stable and rapid growth with relatively loose control over monetary policy. For the building materials industry, opportunities still outweigh challenges. On one hand, as China has entered the middle stage of industrial development, the progress of infrastructure construction and urbanization determines that the long-term demand for building materials will remain robust and rigid. On the other hand, the State has introduced policies on restricting new capacity, phasing-out obsolete capacity, saving energy and reducing emissions, thereby gradually tilting balance of the supply and demand of building materials towards the manufacturers, which favours market optimization and price regression. As such, we are optimistic about the economic outlook and industry trend in 2012. In adherence to our development philosophy of "striding forward steadily" with a sense of responsibility of promoting industrial transformation and upgrade while enhancing the industry value, we will uphold the concept of "market-oriented operation of central state-owned enterprises" , continue to strengthen consolidation and restructuring as well as capital operation, continue to extend the industry chain and press ahead management integration, so as to alter the economic development mode of the industry as a precursor, fully realizing our operational and development goals to reward shareholders and the community with outstanding results.

Song Zhiping
Chairman

Beijing, the PRC
28 March 2012

CAO JIANGLIN
President
Executive Director

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at the date of this report are summarized as follows:

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests held by the Company
Cement	NSP cement	China United	100.00%
		South Cement	80.00%
		North Cement	55.00%
		Southwest Cement	82.6%
Lightweight building materials	Dry wall and ceiling system	BNBM	52.40%
Glass fibre and composite materials	Rotor blades	China Composites	100.00%
	Glass fibre	China Fiberglass	32.79%
Engineering services	Design and engineering EPC services; Float glass production lines and NSP cement production lines	China Triumph	91.00%

BUSINESS OVERVIEW *(CONTINUED)*

In 2011, CNBM achieved exceptional results in various aspects as evidenced by the outstanding operation indicators, strong growth momentum, enhanced management integration as well as sound capital operation.

Outstanding Operation Indicators

In 2011, CNBM witnessed an increase of 42.0% in total assets, an increase of 54.0% in revenue and an increase of 137.9% profit attributable to the equity holders of the Company, as compared to the previous year. As for the principal businesses, cement and clinker total sales volume increased by 20.6% year on year to 183.6 million tonnes, gypsum board sales volume increased by 34.1% year on year to 877.0 million sqm, glass fibre sales volume increased by 4.6% year on year to 747,000 tonnes, and revenue from engineering service increased by 35.2% year on year to RMB6,890 million.

Strong Growth Momentum

Pursuant to the big cement regional development strategy, the Company obtained fruitful results for the consolidation and restructuring in three regions, namely Huaihai, Southeast China and Northern China, which further expanded the core profit generating regions while tapping into the southwest to broaden its territory, taking the large southwestern region as its new strategic region where natural resources are abundant but of low market concentration in the cement industry. Currently, the Company has formed the strategic structure for the cement operation that comprised China United, South Cement, North Cement and Southwest Cement. Moreover, commercial concrete mixing business layout has been gradually developed, whilst project construction and the consolidation and restructuring in other segments proceeded in an orderly manner, which further optimized our business layout.

Enhanced Management Integration

Firstly, we fully implemented the business ideology of "PCP (price-cost-profit)" coupled with its appeal, influence and impetus in the industry, proactively promoted energy saving, production restriction and price stabilization, with the business ideology of "PCP" receiving high degree of industry recognition, resulting in a relatively substantial hike in cement prices within our operating regions over last year. Secondly, we further implemented benchmark management and lean management as well as cost saving plan to reduce expenses, consumption and cost while increasing efficiency. Thirdly, we pushed forward centralized financial management and information technology steadily, improved capital operating efficiency and lowered capital costs. Fourthly, we refined brand building to bring about a unified brand.

Sound Capital Operation

Firstly, we carried out a new round of direct financing. To further improve the corporate governance structure, broaden our financing channels in the capital market and optimize our capital structure, the Company has applied for the issue of A shares with all works being underway. Secondly, we consolidated and expanded indirect financing platform and raised capital for development through various channels including bank loans and bond issuance.

CEMENT SEGMENT

In 2011, the State implemented the “Twelfth Five-Year Plan” and increased investment in “Three Dimensional Rural Issues” (Agriculture, Rural areas and Peasantry). and affordable housings, aspiring to support both under-construction and to-be-continued key national infrastructure construction and new rural area construction. Driven by these factors, cement demand remained robust whilst the national cement output reached 2.085 billion tonnes, a year-on-year increase of 11.7%. Annual revenue from the cement industry recorded a year-on-year increase of 36.9%, and profit and tax surged 58% over the same period last year. The State continued to strictly control new production capacity. National fixed asset investment for cement declined by 8.3% in 2011 over last year, being the first negative growth in five years, indicating that the policies on capacity over-expansion are taking effects.

The central government tightened industrial policy to further eliminate backward production capacity, promote acquisition and restructuring to rationalize the industry. Total outdated cement production capacity phased out for the year amounted to 150 million tonnes across the country whilst the NSP clinker production accounted for 86.3% of the national output. Market supply and demand have been improved significantly, showing a greater degree of industrial concentration. The market share of the top 10 cement producers accounted for 26.5%, and cement price was on the uptrend. (Source: National Bureau of Statistics, Ministry of Industry and Information Technology, Report on the Work of the Government)

In 2011, in strict adherence to its set development strategy and goal, the Group focused on the strategic layout and construction of core profit generating regions of the cement segment, persistently pushing forward the consolidation and restructuring as well as industry chain extension and coordinated and strengthened project planning. While consolidating and advancing the strategic restructuring of the three existing regions, we underwent large-scale consolidation and restructuring in Sichuan, Yunnan, Guizhou and Chongqing, forming a strategic cement operation structure that comprised Huaihai, Southeast China, Northern China and Southwest China. As at the end of 2011, cement production capacity exceeded 260 million tonnes. Meanwhile, the cement segment further utilized the business ideology of “PCP” and shifted intrinsically from “production-driven sales” to “sales-driven production”, further reinforcing the management integration based primarily on the “Three Five Management” mode with its influence, momentum, scale and brand advantages. By limiting production and stabilizing prices actively, regional cement prices increased substantially and achieved excellent economic benefits, thereby promoting the regression of product prices while optimizing the development of the industry.

China United

Sparing no efforts in enforcing the business ideology of “PCP” to foster a “market-oriented and profit-based” production and operation model, China United adjusted the decision-making mechanism of production in view of the regional overcapacity situation in the industry, with its marketing concept shifting intrinsically from “production-driven sales” to “sales-driven production”. At the same time, the overall balance of the market demand and supply dynamics of the region was maintained through reinforcing its competition and cooperation in regional market and taking the initiative to reduce emissions and restrict production as a large enterprise, and industry competition was rationalized and industry value enhanced.

CEMENT *(CONTINUED)*

China United *(Continued)*

China United further strengthened its management integration and established the integrated system as well as the "Six-Unification" operation mode in terms of the culture, marketing, procurement, finance, production technology and human resources governed by the "Three Five Management" mode, which improved its ability of organization, control and resources allocation.

In a bid to increasing its market power in the region, China United continued to steadily push forward the consolidation and restructuring and technology innovation projects within strategic regions while proactively extending the industry chain and expanding production capacity. As at the end of 2011, cement production capacity exceeded 80 million tonnes. In respect of cost, through measures such as benchmark management, quota management, product stability control and increasingly centralized procurement, it was able to reduce costs effectively.

South Cement

By stoutly implementing the business ideology of "PCP" and adhering to the concept of sales-driven production, South Cement brought the energy saving and emission reduction policy of governments at all levels, the coordination and supervision of industry association and the leading role of regional enterprises into full play. It firmly promoted energy saving and restricted production in large regions, formulated and enforced plan on stabilizing prices scientifically, endeavored to advocate energy saving and emission reduction, so as to strike a balance between regional market supply and demand and maintain price stability. Aiming at cost-saving, consumption reduction and efficiency enhancement, South Cement stepped up performance benchmarking, developed and carried out cost-saving plan to reduce operating costs while boosting operating results dramatically.

To improve the cooperative management standard, South Cement strongly enforced its management integration, consolidated the management and control system and upgraded the "Five C" management and information technology of regional companies. With enhanced efforts in marketing centralized management, production and sales were basically segregated for all regional companies; through continual strengthening of its financial centralized management, the construction of financial information system for regional companies were completed; by pressing ahead the material procurement centralization, purchase prices of raw materials and fuel were effectively reduced. Moreover, it further promoted technology innovation, strengthened quality management and technological invention, which successfully introduced the "South Cement"(「南方」) brand. Brand integration of its subsidiaries was essentially completed and the management standard has been improved significantly.

South Cement continued to undergo the consolidation and restructuring, technology innovation projects and logistics integration of mines within strategic regions steadily, while seeking to expand the industry chain scaling up its production capacity and increasing its market share in the region invariably. As at the end of 2011, cement production capacity amounted to approximately 130 million tonnes.

CEMENT *(CONTINUED)*

North Cement

North Cement conscientiously implemented the business ideology of “PCP” and transformed its marketing strategy and business ideas through operating and developing with reduced production with an attempt to improve the regional market supply and demand against the practice of cutting prices and increasing sales during low season and no longer executed winter stocking, while driving up regional cement prices substantially and promoting the rational value regression of the cement industry, creating win-win situation with other cement companies in the region.

North Cement solidly implemented the “Three Five Management” mode through centralized management of three aspects, namely production, supply and sales, in the course of production and operation, while securing market share through centralized management of marketing, consolidating its market network by seizing large projects and construction works and centralizing procurement of major bulk raw materials to reduce costs and enhance efficiency with increasing efficiency in management.

North Cement persisted in the consolidation and restructuring and technology innovation projects within strategic regions while expanding the industry chain, forming three core profit generating regions comprising eastern Heilongjiang, southeast Jilin and western Jilin. As such, its production scale and regional market share have gradually been enlarged, which further magnifying its regional advantages. As at the end of 2011, its cement production capacity was approximately 25 million tonnes.

Southwest Cement

Pursuant to its established development strategy and goal, the Company devised the three provinces and one city, namely Sichuan, Yunnan, Guizhou and Chongqing, as its new strategic regions for large-scale consolidation and restructuring. Southwest Cement was established on 12 December 2011 in Chengdu, becoming the platform for CNBM’s large-scale consolidation and restructuring in the southwest region.

Through consolidation and restructuring in strategic regions, Southwest Cement expanded its production capacity rapidly, with cement production capacity reaching 25 million tonnes as at the end of 2011.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

BNBM continued to improve its strategy planning of national production lines, actively pushed forward the construction of the 2-billion-sqm gypsum board base, with the projects under smooth progress. As at the end of 2011, gypsum board production capacity reached 1.2 billion sqm.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT *(CONTINUED)*

Taking the lead unswervingly to seize the location and supreme resources advantages for development in the gypsum board industry, BNBM established an internal control system that focused on comprehensive benchmark management and performance, whilst further strengthened and optimized its marketing by undertaking promotional activities in immature markets and third-tier cities where channels were underdeveloped to enhance the coverage and popularity of the brand, while strengthening technical exchanges with large customers in first-tier cities, promoting high-end marketing strategy progressively, increasing sales and improving profitability. We continued to deepen the construction of our marketing channels, striving to augment county level markets through diversifying and increasing the number of channels to enhance channel quality. By means of technology innovation and innovative management, BNBM reduced investment cost, production costs and energy consumption to a substantial degree, bringing its business to a new height with its successful bids in a number of projects including national transport hubs, five-star hotels, deluxe residence renovation, affordable housing as well as other government projects by targeting “big customers, big orders and big projects”.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

Composite Materials Industry

Confronted with adverse market conditions such as the weakened growth in the wind power industry and the decline in rotor blade price in the industry, China Composites, studied the industry trend and market development and kept abreast of the impact of the State’s macro-control measures on the market. Based on proactive adjustments to the production and marketing strategies and a rational layout of production bases, it ensured the smooth production and supply in hot-selling regions. Furthermore, by integrating production scale expansion with marketing activities, it not only sustained the existing customer bases but also expedited the identification of new customer bases.

Leveraging the abundant regional resources and the cutting edge in research and development, China Composites accelerated pace in research and development of high-end products, in a bid to realize differentiated product positioning. The self-developed 6 MW rotor blade, which was the first single rotor blade with such installed capacity in China, was successfully connected and mounted in the end of October 2011. Meanwhile, China Composites launched low-wind-speed rotor blades and low-weight high-strength rotor blades, thus extending the operation life of the whole units, lowering the production costs and expanding the market coverage of principal products.

Guided by the “Three New” strategy promulgated by CNBM, the 1,000-tonne T300 carbon fibre project of Zhongfu Shenying was approved by the State and commenced full-scale production, whilst its 2,000-tonne carbon fibre project was progressing smoothly.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT *(CONTINUED)*

Glass Fibre Industry

As the global economy is experiencing a gradual recovery after the financial crisis, China Fiberglass, on one hand, endeavoured to increase its market share by facilitating the restructuring of its product portfolio, improving the global marketing network and stepping up efforts in attracting new customers and direct customers; on the other hand, to cope with the surging prices of energy and raw materials, the fuelling inflation as well as tightened credit policy, it saw an increase in revenue and profit as a result of its efforts in technology innovation, cost saving and consumption reduction.

In August 2011, China Fiberglass, following the completion of material restructuring of Jushi Group, further improved its corporate governance structure, thereby unifying the shareholders' interests, reinforcing its risk management ability and boosting its profitability and management efficiency.

ENGINEERING SERVICES SEGMENT

China Triumph carried forward the EPC operation based on its core technologies and spared no efforts in developing industry platforms such as the cement project platform, the glass equipment platform and the environmental protection and energy saving platform. As such, it cemented a leading edge in the provision of cement, glass and new energy engineering technology services and expanded its business coverage to countries and regions in Southeast Asia, Africa, Middle East, the Russian Federation, Europe and America etc..

China Triumph consolidated its strength in research and development through integrated development of engineering technologies of new glasses, new energy, new materials and new equipment. It forged ahead with innovations in design and established its core competitiveness which was mainly grounded on the large-tonnage high-quality float glass, NSP cement production technology as well as energy saving and emission reduction technologies regarding flue gas desulfurization (FGD), DeNOx, residual heat power generation and oxygen-fuel combustion, oriented by technologies in emerging industries regarding solar photovoltaic glass, photovoltaic power station, display glass substrate, and related to relevant equipment manufacturing. Boasting its leading edge in various technologies in the industry, China Triumph became the forerunner in technology innovation.

FINANCIAL REVIEW

Establishment of Southwest Cement

The Group established Southwest Cement in December 2011. The operating results of Southwest Cement were incorporated in the Group's financial results for the year ended 31 December 2011, with no comparative figures for the year ended 31 December 2010. For the year ended 31 December 2011, 10 subsidiaries of Southwest Cement were included in the consolidated financial statements. The following table sets out the revenue, cost of sales, gross profit and operating results of Southwest Cement for the year ended 31 December 2011 and their respective contribution to the Group:

	RMB in millions	*Southwest Cement Total percentage in the Group*
Revenue	846.0	1.1
Cost of Sales	725.1	1.2
Gross profit	120.9	0.6
Operating profit	46.3	0.3

Acquisition of Binzhou Cement

The Group acquired Binzhou Cement in July 2011. The operating results of Binzhou Cement were incorporated in the Group's financial results for the year ended 31 December 2011, with no comparative figures for the year ended 31 December 2010. The following table sets out the revenue, cost of sales, gross profit and operating results of Binzhou Cement for the year ended 31 December 2011 and their respective contribution to the Group:

	RMB in millions	*Binzhou Cement Total percentage in the Group*
Revenue	821.2	1.0
Cost of Sales	439.6	0.7
Gross profit	381.6	1.8
Operating profit	422.6	2.4

In addition to the reasons stated below, changes in the operating results of the Group for the year ended 31 December 2011 as compared with the year ended 31 December 2010, were also attributable to the inclusion of operating results of the newly established Southwest Cement and the newly acquired Binzhou Cement.

The revenue of the Group increased by 54.0% from RMB51,987.8 million in 2010 to RMB80,058.5 million in 2011, and the profit attributable to equity holders increased by 137.9% from RMB3,369.4 million in 2010 to RMB8,015.1 million in 2011.

FINANCIAL REVIEW *(CONTINUED)*

Revenue

Our revenue for the year 2011 amounted to RMB80,058.5 million, representing an increase of 54.0% from RMB51,987.8 million in 2010, primarily due to an increase of RMB13,522.6 million in revenue from South Cement, an increase of RMB4,402.5 million in revenue from China United, an increase of RMB2,757.0 million in revenue from North Cement, an increase of RMB1,793.1million in revenue from our engineering services segment, an increase of RMB1,604.8 million in revenue from our lightweight building materials segment, but was partly offset by a decrease of RMB775.9 million in revenue from our glass fibre and composite materials segment.

Cost of sales

Our cost of sales in 2011 amounted to RMB58,741.9 million, representing an increase of 44.0% from RMB40,778.9 million in 2010, primarily due to an increase of RMB7,327.5 million in cost of sales from South Cement, an increase of RMB2,291.6 million in cost of sales from China United, an increase of RMB1,632.6 million in cost of sales from North Cement, an increase of RMB1,564.9 million in cost of sales from our engineering services segment, an increase of RMB1,543.6 million in cost of sales from our lightweight building materials segment, but was partly offset by a decrease of RMB471.6 million in cost of sales from our glass fibre and composite materials segment.

Other income

Other income of the Group increased by 38.7% to RMB2,993.3 million in 2011 from RMB2,158.3 million in 2010. The increase was primarily due to the followings: the VAT refund of the Group increased to RMB1,515.3 million for the year 2011 from RMB756.5 million in 2010 and local government grants of the Group increased to RMB1,155.3 million for the year 2011 from RMB933.6 million in 2010, but was partly offset by the decrease in net gain from change in fair value of held-for-trading investments to RMB-96.3 million for the year 2011 from RMB78.0 million in 2010.

Selling and distribution costs

Selling and distribution costs increased by 22.2% to RMB2,212.7 million in 2011 from RMB1,810.7 million in 2010, primarily due to an increase of RMB115.1 million in packaging fees, and an increase of RMB37.4 million in loading costs, and an increase of RMB33.4 million in utility bills as a result of our rising sales volume of principal products, as well as an increase of RMB95.1 million in salary and allowances for sales staff resulting from the growth of the operating results of the Group.

FINANCIAL REVIEW *(CONTINUED)*

Administrative and other expenses

Administrative and other expenses increased by 50.1% to RMB4,609.8 million in 2011 from RMB3,071.6 million in 2010, primarily due to an increase of RMB327.1 million in salary and allowances, an increase of RMB133.6 million in depreciation and amortisation of intangible assets, an increase of RMB92.7 million in tax (including stamp tax, property tax and land use tax), an increase of RMB90.8 million in administrative expenses and utility bills, an increase of RMB84.3 million in research and development expenses, an increase of RMB34.9 million in emission fees and an increase of RMB32.3 million in travelling expenses of the Group.

Finance costs

Finance costs increased by 49.6% to RMB3,859.1 million in 2011 from RMB2,579.0 million in 2010, primarily due to our increased borrowings which were required to support the increase in the business activities in each of our business segments and higher interest rate of bank loans.

Share of profits of associates

The Group's share of profit of associates increased by 246.2% to RMB686.1 million in 2011 from RMB198.2 million in 2010. This was primarily due to a significant increase in profits of our associated companies in the cement segment and the Company's associated company, China Fibreglass.

Income tax expense

Income tax expense increased by 162.2% to RMB3,568.8 million in 2011 from RMB1,361.0 million in 2010, primarily due to the increase in profit before taxation.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by 98.8% to RMB2,730.7 million in 2011 from RMB1,373.6 million in 2010, primarily due to the large increase in operating profit in the cement segment and the increase in operating profits in lightweight building materials and engineering services segments.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 137.9% to RMB8,015.1 million in 2011 from RMB3,369.4 million in 2010. Net profit margin increased to 10.0% in 2011 from 6.5% in 2010.

FINANCIAL REVIEW *(CONTINUED)*

China United

Acquisition and addition of new production lines

In 2010, China United acquired and set up 14 new subsidiaries. In addition, a 4,800t/d clinker production line of Beichuan China United Cement Company Limited（北川中聯水泥有限公司）commenced production in May 2010; a 4,500t/d clinker production line of Anxian China United Cement Company Limited（安縣中聯水泥有限公司）commenced production in October 2010; and a 1 million tonne grinding station of Qingdao Jimo China United Cement Company Limited（青島即墨中聯水泥有限公司）commenced production in December 2010. The consolidated operating results of the above 17 companies were less than twelve months for the year ended 31 December 2010. The following table sets out the revenue, cost of sales, gross profit and operating results of the above 17 companies for the two periods.

	Aforementioned 17 companies As at 31 December *RMB in millions* **2011**	2010
Revenue	**4,146.5**	2,364.1
Cost of sales	**3,261.0**	1,841.8
Gross profit	**885.5**	522.3
Operating profit	**599.1**	464.9

China United acquired and set up 9 cement companies after 31 December 2010. Operating results of such 9 companies were consolidated into the operating results of China United for the year ended 31 December 2011, but excluded from the operating results for the year ended 31 December 2010.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 9 companies for the year ended 31 December 2011 and their respective contribution to China United.

	RMB in millions	*Total percentage in China United*
Revenue	735.2	4.0
Cost of sales	619.4	4.8
Gross profit	115.8	2.2
Operating profit	92.2	2.1

Besides the reasons stated below, changes in the operating results of China United for the year ended 31 December 2011 as compared with the year ended 31 December 2010 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries and newly operational subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Revenue

Revenue from China United increased by 32.0% to RMB18,179.9 million in 2011 from RMB13,777.3 million in 2010. This is mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for China United increased by 21.6% to RMB12,882.7 million in 2011 from RMB10,591.1 million in 2010. This is mainly attributable to the increase in sales volume of cement products and higher coal and electricity prices .

Gross profit and gross profit margin

Gross profit from China United increased by 66.3% to RMB5,297.2 million in 2011 from RMB3,186.2 million in 2010. Gross profit margin for China United increased from 23.1% in 2010 to 29.1% in 2011. The increase in gross profit margin was mainly due to higher average selling price of cement products, but was partially offset by the increase in coal and electricity prices.

Operating profit

Operating profit from China United increased by 65.8% to RMB4,313.9 million in 2011 from RMB2,601.2 million in 2010. Operating profit margin for the segment increased to 23.7% in 2011 from 18.9% in 2010. This was primarily due to the increase in profit margin, but was partially offset by the increase in provision for assets impairment.

FINANCIAL REVIEW *(CONTINUED)*

South Cement

Acquisition and addition of new production lines

South Cement acquired 14 subsidiaries after 1 January 2010. In addition, a 5,000t/d clinker production line of Jiangxi Shanggao South Cement Company Limited(江西上高南方水泥有限公司)commenced production in September 2010; a 4,500t/d clinker production line of Jiangxi Yongfeng South Cement Company Limited (江西永豐南方水泥有限公司)commenced production in October 2010; a 1 million tonne grinding station of Jiangxi Fuzhou South Cement Company Limited(江西撫州南方水泥有限公司)commenced production in December 2010; a 1 million tonne grinding station of Jiangxi Jishui South Cement Company Limited(江西吉水南方水泥有限公司)commenced production in December 2010; a 5,000t/d clinker production line of Shaoyan South Cement Company Limited(邵陽南方水泥有限公司)commenced production in December 2010; and a 4,000t/d clinker production line of Guilin South Cement Company Limited(桂林南方水泥有限公司) commenced production in June 2010. The consolidated operating results of the above 20 subsidiaries were less than twelve months for the year ended 31 December 2010. The following table sets out the revenue, cost of sales, gross profit and operating results of the above 20 companies for the two periods.

	Aforementioned 20 companies As at 31 December *RMB in millions*	
	2011	2010
Revenue	**9,544.2**	3,373.2
Cost of sales	**7,970.1**	2,894.7
Gross profit	**1,574.1**	478.5
Operating profit	**1,359.0**	382.0

South Cement acquired 17 cement companies after 31 December 2010. In addition, a 1 million tonne grinding station of Jiangxi Xiushui South Cement Co., Ltd. (江西修水南方水泥有限公司) commenced production in August 2011, a 1 million tonne grinding station of Jiangxi Guixi South Cement Co., Ltd. (江西貴溪南方水泥有限公司) commenced production in October 2011, a 1 million tonne grinding station of Jiangxi Nancheng South Cement Co., Ltd (江西南城南方水泥有限公司) commented production in November 2011, a 5,000t/d clinker production line and ancillary grinding station of Hunan Changde South Cement Co., Ltd. (湖南常德南方水泥有限公司) commenced production in April 2011, a 1 million tonne grinding station of Hunan Yueyang South Cement Co., Ltd. (湖南岳陽南方水泥有限公司) commenced production in July 2011, a 0.5 million tonne grinding station of Hunan Guiyang South Cement Co., Ltd. (湖南桂陽南方水泥有限公司) commenced production in August 2011. Operating results of the above 23 companies were consolidated into the operating results of South Cement for the year ended 31 December 2011, but excluded from the operating results for the year ended 31 December 2010. The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 23 companies for the year ended 31 December 2011 and their respective contribution to South Cement.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

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

	RMB in millions	*Total percentage in South Cement*
Revenue	1,791.7	5.1
Cost of sales	1,423.8	5.8
Gross profit	367.9	3.3
Operating profit	269.8	3.1

In addition to the reasons stated below, changes in the operating results of South Cement for the year ended 31 December 2011 as compared with the year ended 31 December 2010 were also attributable to the inclusion of operating results of the newly acquired subsidiaries and newly operational subsidiaries.

Revenue

Revenue from South Cement increased by 61.8% to RMB35,421.5 million in 2011 from RMB21,898.9 million in 2010, mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for South Cement increased by 42.9% to RMB24,420.5 million in 2011 from RMB17,092.9 million in 2010. This is mainly attributable to the increase in sales volume of cement products and higher coal and electricity prices.

Gross profit and gross profit margin

Gross Profit from South Cement increased by 128.9% to RMB11,001.0 million in 2011 from RMB4,806.0 million in 2010, Gross profit margin for South Cement increased from 21.9% in 2010 to 31.1% in 2011. The increase in gross profit margin was mainly due to the increase in the average selling price of cement, but was partially offset by the increase in coal and electricity prices.

Operating profit

Operating profit from South Cement increased by 166.9% to RMB8,763.4 million in 2011 from RMB3,283.1 million in 2010. Operating profit margin for the segment increased to 24.7% in 2011 from 15.0% in 2010. This increase was primarily due to the increased gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

North Cement

Acquisitions

North Cement acquired Hegang North Cement Company Limited(鶴崗北方水泥有限公司), Suihua North Cement Company Limited(綏化北方水泥有限公司), Lingyuan Fuyuan Minining Company Limited (凌源市富源礦業有限責任公司)on 1 July 2010, and acquired Daqing Hongqing Cement Company Limited(大慶鴻慶水泥有限公司)on 1 September 2010. The consolidated operating results of the above 4 subsidiaries were less than twelve months for the year ended 31 December 2010. The following table sets out the revenue, cost of sales, gross profit and operating results of the above 4 companies for the two periods.

	Aforementioned 4 companies As at 31 December *RMB in millions*	
	2011	2010
Revenue	**677.4**	210.5
Cost of sales	**544.9**	182.2
Gross profit	**132.5**	28.3
Operating profit	**109.0**	18.7

North Cement acquired Qitai Hebei North Cement Co., Ltd. (七台河北方水泥有限公司) and Jilin Dequan Group Wangqing Cement Co., Ltd. (吉林德全集團汪清水泥有限責任公司) on 1 January 2011, acquired Heihe North Cement Co., Ltd. (黑河北方水泥有限公司) on 31 March 2011, acquired Qiananxian Hongmei Cement Co., Ltd. (乾安縣紅梅水泥有限責任公司) on 31 July 2011 and acquired Dalian Tianma Jingang Cement Co., Ltd. (大連金剛天馬水泥有限公司) on 31 October 2011. Operating results of the above 5 companies were consolidated into the operating results of North Cement for the year ended 31 December 2011, but excluded from the operating results for the year ended 31 December 2010. The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 5 companies for the year ended 31 December 2011 and their respective contribution to North Cement.

	RMB in millions	*Total percentage in North Cement*
Revenue	1,411.7	28.0
Cost of sales	924.7	27.1
Gross profit	487.0	30.0
Operating profit	418.5	27.8

In addition to the reasons stated below, changes in the operating results of North Cement for the year ended 31 December 2011 as compared with the year ended 31 December 2010 were also attributable to the inclusion of operating results of the newly acquired subsidiaries.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Revenue

Revenue from North Cement increased by 121.1% to RMB5,033.8 million in 2011 from RMB2,276.8 million in 2010. The increase was mainly attributable to an increase in the average selling price and the sales volume of cement products.

Cost of sales

Cost of sales for North Cement increased by 91.7% to RMB3,412.3 million in 2011 from RMB1,779.6 million in 2010. This was mainly attributable to the increase in sales volume of cement products and higher coal and electricity price.

Gross profit and gross profit margin

Gross Profit from North Cement increased by 226.1% to RMB1.621.6 million in 2011 from RMB497.2 million in 2010. Gross profit margin for North Cement increased from 21.8% in 2010 to 32.2% in 2011. This was mainly due to the increase in average selling price of cement products, but was partly offset by the higher coal and electricity price.

Operating profit

Operating profit from North Cement increased by 189.6% to RMB1,503.6 million in 2011 from RMB519.2 million in 2010. Operating profit margin for the segment increased to 29.9% in 2011 from 22.8% in 2010, primarily due to higher gross profit margin, but was partly offset by the increase in provision for assets impairment.

Lightweight Building Materials Segment

Revenue

Revenue from our lightweight building materials segment increased by 36.9% to RMB5,958.7 million in 2011 from RMB4,353.9 million in 2010. This was mainly attributable to the increase in sales volume from our main product, gypsum boards and higher average selling price of BNBM's gypsum boards, partially offset by a slight drop in average selling price of gypsum boards of Taishan Gypsum.

Cost of sales

Cost of sales from our lightweight building materials segment increased by 45.8% to RMB4,912.6 million in 2011 from RMB3,369.0 million in 2010. This was mainly due to the increase in sales volume of our main product, gypsum boards, and the increase in raw materials and coal prices.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Gross profit and gross profit margin

Gross profit from our lightweight building materials segment increased by 6.2% to RMB1,046.1 million in 2011 from RMB984.8 million in 2010. Gross profit margin for our lightweight building materials segment decreased to 17.6% in 2011 from 22.6% in 2010, mainly attributable to higher prices of raw material and coal, and a slight drop in selling price of gypsum boards of Taishan Gypsum, partially offset by the increase in the average selling price of BNBM's gypsum boards.

Operating profit

Operating profit from our lightweight building materials segment increased by 26.4% to RMB935.3 million in 2011 from RMB740.0 million in 2010. Operating profit margin of the segment decreased from 17.0% in 2010 to 15.7% in 2011, mainly attributable to the decrease in gross profit margin, partially offset by the decrease of selling expenses.

Glass Fibre and Composite Materials Segment

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

Revenue

Revenue from our glass fibre and composite materials segment decreased by 26.0% to RMB2,208.2 million in 2011 from RMB2,984.2 million in 2010. The decrease was primarily due to the decrease of RMB1,023.0 million in revenue from FRP pipes, tanks business and rotor blades, and the decrease of RMB42.2 million in revenue from glass fibre mats, but was partly offset by the increase of RMB115.0 million in revenue from the carbon fiber business and the increase of RMB5.0 million in revenue from shipbuilding business.

Cost of sales

The cost of sales for our glass fibre and composite materials segment decreased by 21.5% to RMB1,717.5 million for 2011 from RMB2,189.1 million for 2010. The decrease was primarily due to the decrease of RMB696.8 million in cost of sales from FRP pipes, tanks business and rotor blades and the decrease of RMB27.6 million in cost of sales of glass fibre mats, but was partly offset by the increase of RMB111.1 million in cost of sales of the carbon fiber business and the increase of RMB7.8 million in cost of sales of shipping business.

FINANCIAL REVIEW *(CONTINUED)*

Glass Fibre and Composite Materials Segment *(Continued)*

Gross profit and gross profit margin

Gross profit from our glass fibre and composite materials segment decreased by 38.3% to RMB490.7 million for 2011 from RMB795.1 million for 2010. Gross profit margin for our glass fibre and composite materials segment decreased to 22.2% for 2011 from 26.6% for 2010. This was mainly attributable to the decrease in the selling price and gross profit margin of our major class rotor blades sold in 2011 as compared to 2010.

Operating profit

Operating profit from our glass fibre and composite materials segment decreased by 52.8% to RMB255.6 million for 2011 from RMB541.9 million for 2010. The operating profit margin for the segment decreased to 11.6% for 2011 from 18.2% for 2010, primarily due to the decrease in the gross profit margin of such segment.

Engineering Services Segment

Revenue

Revenue from our engineering services segment increased by 35.2% to RMB6,889.6 million for 2011 from RMB5,096.5 million for 2010, primarily due to the increase in completed construction services in the period.

Cost of sales

Cost of sales for our engineering services segment increased by 38.3% to RMB5,645.5 million for 2011 from RMB4,080.6 million for 2010, primarily due to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from our engineering services segment increased by 22.5% to RMB1,244.2 million for 2011 from RMB1,015.9 million for 2010, primarily due to the increase in completed construction services in the period. Gross profit margin for our engineering services segment decreased to 18.1% for 2011 from 19.9% for 2010, mainly attributable to the decrease in the gross profit margin of engineering design and equipment sales projects.

Operating profit

Operating profit from our engineering services segment increased by 14.6% to RMB799.2 million in 2011 from RMB697.2 million in 2010. Operating profit margin for the segment decreased to 11.6% in 2011 from 13.7% in 2010, primarily due to its decreased gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 31 December 2011, the Group had unused banking facilities of approximately RMB26,228.6 million in total.

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

	As at 31 December	
	2011	2010
	(RMB in millions)	
Bank loans	**74,384.1**	58,089.3
Other borrowings from non-financial institutions	**11,482.1**	1,029.1
	85,866.2	59,118.4

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

	As at 31 December	
	2011	2010
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**53,118.0**	28,188.0
Between one and two years	**9,075.2**	13,393.0
Between two and three years	**13,431.8**	7,673.4
Between three and five years (inclusive of both years)	**7,681.7**	6,295.8
Over five years	**2,559.5**	3,568.2
Total	**85,866.2**	59,118.4

As at 31 December 2011, bank loans in the amount of RMB8,776.6 million were secured by assets of the Group with a total carrying value of RMB10,770.6 million.

As at 31 December 2011 and 31 December 2010, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 54.2% and 53.0%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

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

Contingent Liabilities

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

	As at 31 December	
	2011	2010
	(RMB in millions)	
Guarantee to banks in respect of bank credits used by an independent third party of subsidiaries before acquisition	**293.0**	139.0
Total	**293.0**	139.0

Capital Commitments

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

	As at 31 December	
	2011	2010
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted but not provided for)	**1,356.2**	2,884.2
Capital expenditure of the Company in respect of prepaid lease payments (contracted but not provided for)	**23.3**	—
Capital expenditure of the Company in respect of equity acquisition (contracted but not provided for)	**84.4**	143.1
Capital expenditure of the Company in respect of acquisition of mining right (contracted but not provided for)	**295.2**	—

FINANCIAL REVIEW *(CONTINUED)*

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2011 by segment:

	For the year ended 31 December 2011	
	(RMB in millions)	*% of total*
Cement	8,498.4	71.1
Among: China United	3,372.3	28.2
South Cement	3,114.8	26.1
North Cement	1,672.8	14.0
Southwest Cement	321.6	2.7
Binzhou Cement	16.9	0.1
Lightweight building materials	1,442.0	12.1
Glass fibre and Composite Materials	413.9	3.5
Engineering services	150.8	1.3
Others	1,433.8	12.0
Total	11,938.9	100.0

Cash Flow from Operating Activities

For 2011, our net cash inflow generated from operating activities was RMB12,053.6 million. Such net cash inflow was primarily due to RMB20,544.0 million of cash flow from operating activities before the change in working capital, partially offset by a RMB1,144.7 million increase in trade and other receivables and a RMB2,636.4 million increase in inventories.

Cash Flow from Investing Activities

For 2011, our net cash outflow from investing activities was RMB24,845.9 million, which was primarily due to an expenditure of RMB6,205.9 million for acquisition of subsidiaries and associates, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB12,287.6 million in total and a RMB5,053.4 million paid in deposits.

Cash Flow from Financing Activities

For 2011, we had a net cash inflow from financing activities amounting to RMB14,529.1 million, primarily attributable to a total of RMB62,311.6 million in new borrowings, partially offset by RMB39,438.7 million for repayment of borrowings.

OUTLOOK IN 2012

2012 is a pivotal year for the global economic development. The world economy still faces formidable challenges and the way to recovery is full of twists, turns and intricacies. The fundamental of China's economic and control policies is to implement a proactive fiscal policy and prudent monetary policy, so that the domestic economy will maintain steady and rapid growth. Pursuant to the newly released "Twelfth Five-Year Plan" for the building materials industry, transformation of the mode of development has been accelerated with a clear mission to strictly control overproduction, optimize the industry structure, strictly eliminate backward production capacity to further improve the operating environment of the industry. Driven by China's industrialization, urbanization and development of new rural areas, together with the construction of infrastructure including affordable housing, transportation and water conservancy, the demand for building materials products will remain rigid. This not only presents us with opportunity, but also challenges.

2012 will be a year of management enhancement for CNBM, which will keep an eye on the development of China's economic transformation, grasping the opportunities in terms of the restrictions on capacity expansion and requirements of higher quality and efficiency in the building materials industry. Through formulating our plan in accordance with our strategic development objectives, we strive for five enhancements in the aspects of standardized management, lean management, information management, financial management and risk management, and continued to closely monitor the market, our management, development and financing to accelerate consolidation and restructuring and capital operation while reinforcing management integration and vigorously developing the "Three New" industries to extend our industry chain with an aim to fully complete all goals in 2012.

Firstly, on-going efforts will be made to strengthen the business ideology of "PCP", KPIs and benchmark management to focus on the market, prices, costs and expenses, while actively promoting energy conservation, price restriction and price stabilization. Through concentrating on "big customers, big projects and big orders", our market power, competitiveness, profitability as well as the bid-win rate of key projects within the region will gradually be improved. We will implement technology innovation, deepen lean management and management improvement, further reduce expenses, consumption and costs to enhance efficiency.

Secondly, we will insistently push forward the consolidation and restructuring of our cement business in an effective and standardised manner, expedite the consolidation and restructuring of Southwest Cement. Meanwhile we will fortify our core profit generating regions with continuous efforts to strengthen and optimize the consolidation and restructuring of the three regions, namely Huaihai, Southeast China and Northern China, and improve the cement grinding facilities to expand its market share and market coverage and accelerate the extension of industry chain and further improve its control over the terminal market towards the high-grade cement oriented, ready-mixed concrete oriented, specialized cement oriented and cement products oriented development.

Thirdly, we will continue our capital operation and proactively proceed with the issuance of A shares, while exploring bank financing actively and appropriately and continuing to explore new financing channels to access multi-level equity financing through multi-channel and to optimize the debt structure through innovative financing models, with central state-owned capital driving social capital to encourage the efficient allocation of resources under a competitive environment.

Fourthly, we will continue to promote the consolidation of the "Three Five Management" to reduce cost and raise efficiency.

The Company has complied with the “Code on Corporate Governance Practices” (the “Code”) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2011 to 31 December 2011, standardized its operation and promoted the continuous improvement of corporate governance. Under the guidance of the regulatory documentation such as the Listing Rules, articles of association of the Company, the “Working Rules of the Audit Committee”, the “Working Rules of the Remuneration Committee” and the “Working Rules of the Nomination Committee”, an efficient checks and balances mechanism has been achieved within the Company through coordination among the general meetings, the Board and its related special board committees, the Supervisory Committee, monthly general meeting and the management led by the president. The internal management and operation of the Company was also further standardized with a view to enhancing its intrinsic value. The Company is committed to the optimization of its management system and framework for sustainable development and controlling operating risks to improve its performance in the best interest of its shareholders.

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

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has confirmed that they complied with the Model Code during the period from 1 January 2011 to 31 December 2011.

II. THE BOARD

During 2011, the Board of the Company held 5 Board meetings (4 of them were held by the second session of the Board and 1 of them was held by the third session of the Board) to consider and determine significant events including general corporate strategy and major financing, acquisition and merger matters. All directors attended the meetings in person or by proxy. The management is responsible for the implementation of strategies and administration work related to daily operations.

II. THE BOARD *(CONTINUED)*

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

Position	Name	Attendance rate *(%)*
The Second Session of the Board		
Executive Director	Song Zhiping	100
Executive Director	Cao Jianglin	100
Executive Director	Li Yimin	100
Executive Director	Peng Shou	100
Executive Director	Cui Xingtai	100
Non-executive Director	Cui Lijun	100
Non-executive Director	Huang Anzhong	100
Non-executive Director	Zuo Fenggao	100 (100 of which by proxy)
Independent Non-executive Director	Zhang Renwei	100
Independent Non-executive Director	Zhou Daojiong	100
Independent Non-executive Director	Chi Haibin	100 (50 of which by proxy)
Independent Non-executive Director	Li Decheng	100 (25 of which by proxy)
Independent Non-executive Director	Lau Ko Yuen, Tom	100 (25 of which by proxy)

Position	Name	Attendance rate *(%)*
The Third Session of the Board		
Executive Director	Song Zhiping	100
Executive Director	Cao Jianglin	100
Executive Director	Peng Shou	100
Executive Director	Cui Xingtai	100
Executive Director	Chang Zhangli	100
Non-executive Director	Guo Chaomin	100
Non-executive Director	Huang Anzhong	100
Non-executive Director	Cui Lijun	100 (100 of which by proxy)
Independent Non-executive Director	Qiao Longde	100
Independent Non-executive Director	Li Decheng	100
Independent Non-executive Director	Ma Zhongzhi	100 (100 of which by proxy)
Independent Non-executive Director	Shin Fang	100
Independent Non-executive Director	Wu Liansheng	100

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

III. OPERATION OF THE BOARD

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

The Company has established a system of independent directors. There are five independent non-executive directors in the Board, which is in compliance with the minimum number of independent non-executive directors required under the Listing Rules. The Company has received a confirmation of independence from each of the five independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, and considers the five independent non-executive directors to be independent from the Company, its substantial shareholders and connected persons and fully complies with the requirements concerning independent non-executive directors under the Listing Rules. Mr. Wu Liansheng, independent non-executive directors of the Company, have appropriate accounting and financial expertise as required under Rule 3.10 of the Listing Rules. Please refer to the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report for Mr. Wu Liansheng's biographies. The five independent non-executive directors do not hold other positions in the Company. They protect the interests of minority shareholders independently and objectively so as to duly serve their roles, and provide checks and balances in the decision-making of the Board according to the articles of association of the Company and requirements of the relevant laws and regulations. The Board has also established the Strategic Steering Committee, the Nomination Committee, the Remuneration Committee and the Audit Committee. In particular, the Strategic Steering Committee and the Nomination Committee were established upon the consideration and approval at the 2011 second extraordinary general meeting of the Company. The main responsibility of these committees is to provide support to the Board in decision-making and make recommendations for the improvement and enhancement of the corporate governance level of the Company.

IV. CHAIRMAN AND THE PRESIDENT

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

V. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

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

VI. SPECIAL COMMITTEES UNDER THE BOARD

The Company has established 4 special committees under the Board, namely the Strategic Steering Committee, the Nomination Committee, the Remuneration Committee and the Audit Committee, and has formulated respective terms of reference. The terms of reference for the Nomination Committee, the Remuneration Committee and the Audit Committee were made with reference to the contents in the Code from time to time.

THE STRATEGIC STEERING COMMITTEE

Members

In order to improve corporate governance of the Company and as required by the domestic laws and regulations, the Strategic Steering Committee was established upon the consideration and approval at the 2011 second extraordinary general meeting of the Company on 15 November 2011. Upon the consideration at the first meeting of the third session of the Board on 15 November 2011, three Directors were elected as members of the Strategic Steering Committee, of whom Mr. Song Zhiping is the chairman and both Mr. Qiao Longde and Mr. Cao Jianglin are members. In particular, Mr. Song Zhiping and Mr. Cao Jianglin are executive directors and Mr. Qiao Longde is an independent non-executive director.

VI. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE STRATEGIC STEERING COMMITTEE *(Continued)*

Duties and Summary of the Work

The Strategic Steering Committee is mainly responsible for studying and reviewing the Company's operation objectives and long-term development strategies, business and organisation development proposals, major investing and financing plans and other material matters that will affect the development of the Company; supervising and inspecting the implementation of the annual operation plan and investing plans under the authorisation of the Board; and making recommendations to the Board.

From the establishment of the Strategic Steering Committee to the end of the reporting period, the Company did not hold any meeting of the committee.

THE NOMINATION COMMITTEE

Members

In order to improve corporate governance of the Company and as required by the domestic laws and regulations, the Nomination Committee was established upon the consideration and approval at the 2011 second extraordinary general meeting of the Company on 15 November 2011. Upon the consideration at the first meeting of the third session of the Board on 15 November 2011, three Directors were elected as members of the Nomination Committee, of whom Mr. Qiao Longde is the chairman and both Mr. Li Decheng and Mr. Song Zhiping are members. In particular, Mr. Qiao Longde and Mr. Li Decheng are independent non-executive directors and Mr. Song Zhiping is an executive director. Such composition is in compliance with the requirements under the Code provisions. The duties and the working system of the committee are explicitly specified in the Working Rules of the Nomination Committee, pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and Summary of the Work

The Nomination Committee of the Company is mainly responsible for formulating the procedures and standards for electing directors of the Company, senior management members as well as members of the Remuneration Committee, the Audit Committee and the Strategic Steering Committee; formulating standards for the directors or supervisors delegated to the wholly-owned subsidiaries of the Company; formulating the standards for the directors or supervisors delegated or recommended to the controlled subsidiaries of the Company and conducting preliminary review on the qualifications and conditions of directors, senior management members as well as members of the Remuneration Committee, the Audit Committee and the Strategic Steering Committee; reviewing the qualifications and conditions of the directors or supervisors delegated to the wholly-owned subsidiaries of the Company or the controlled subsidiaries the Company based on the nominations of the Chairman of the Company and assisting the chairman in submitting relevant matters to the Board.

From the establishment of the Nomination Committee to the end of the reporting period, there were no material matters regarding the appointment of additional directors. Accordingly, the Company did not hold any meeting of the committee in 2011.

VI. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE REMUNERATION COMMITTEE

Members

The re-election of the members of the Remuneration Committee was considered and approved at the first meeting of the third session of the Board on 15 November 2011. The committee consists of three members, namely Mr. Li Decheng who is the chairman of the committee and Mr. Shin Fang who is a member of the committee, and an executive director, Mr. Song Zhiping who is a member of the committee. Such composition is in compliance with the requirements under the Code provisions. The duties and the working system of the committee are explicitly specified in the Working Rules of the Remuneration Committee, pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and the Summary of the Work

The Remuneration Committee of the Company is responsible for recommending the remuneration and reviewing the performance of the directors and senior management, based on the remuneration and performance management policies and framework pertaining to directors and senior management which have been formulated by the Board. The committee held one meeting with a 100% attendance in 2011.

Set out below is a summary of work done by the Remuneration Committee of the Company during 2011:

The third meeting of the second session of the Remuneration Committee under the Board considered and approved the remuneration proposals for senior management members for 2010.

Fees for directors of the second session of the Board and supervisors of the second session of the Board of Supervisors are still subject to the standards of the previous year.

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

VI. SPECIAL COMMITTEES UNDER THE BOARD *(CONTINUED)*

THE AUDIT COMMITTEE

Members

The re-election of the members of the Audit Committee was considered and approved at the first meeting of the third session of the Board on 15 November 2011. The committee comprises two independent non-executive directors, namely Mr. Wu Liansheng (the chairman of the committee) and Mr. Ma Zhongzhi (a member of the committee) and one non-executive director, namely Ms. Cui Lijun (a member of the committee). Among them, Mr. Wu Liansheng possesses professional qualifications or accounting or related financial management experience. Such composition is in compliance with the requirements under the Code provisions. Duties and the working system of the committee are explicitly specified in the Working Rules of the Audit Committee, pursuant to which, the chairman of the committee must be an independent non-executive director.

Duties and Summary of the Work

The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal control and risk management. In 2011, the Audit Committee held two meetings, both with a 100% attendance rate. The recommendations of the Audit Committee have been presented to the Board for review and acted upon (if applicable).

Set out below is a work summary of the Audit Committee during 2011:

During the reporting period, the Audit Committee issued its opinion in respect of the performance of its responsibilities relating to, amongst others, the interim and annual results and the review of the internal control system and the performance of the other responsibilities set out in the Code relating to the financial report for 2010 and the interim financial report for 2011.

During the reporting period, the Audit Committee has operated in accordance with Appendix 14 to the Listing Rules. The Audit Committee has reviewed the Group's financial statements and results for the year ended 31 December 2011.

In addition, the Board is responsible for the preparation of financial statements for each financial year, which give a true and fair view of the financial position of the Group. The Board has carried out a systemic analysis and review of the financial and operational risks and risk prevention of the Group, as well as the compliance control during the interim and year end. This analysis highlighted certain weak areas or imperfections and a proposal for the improvement of these areas and its implementation by the management of the Company has been made. The reporting responsibilities of external auditors are set out in the Independent Auditor's Report of the annual report.

VII. NOMINATION OF DIRECTORS

Pursuant to the Articles of Association, the election and change of directors should be considered by shareholders at the general meetings. Shareholders holding 5% or more of the Company's shares which carry voting rights are entitled to propose the director candidates to the Board which shall then authorise the chairman to prepare a list of the candidates proposed by such shareholders. Under the authorisation of the Board, the chairman prepares a list of candidates and instructs the Secretariat of the Board and the relevant departments to prepare relevant procedural documents. The Secretariat of the Board is responsible for submitting candidate invitation letters to be signed by the chairman and/or the shareholders entitled to make proposals, and then dispatching such letters to the candidates who will return the signed confirmation letters. Meanwhile, retiring directors are required to sign resignation letters. Pursuant to Articles of Association and the Listing Rules, the Company is required to issue a written notice of convening the general meeting and dispatch circular to shareholders. The election of new directors is subject to approval of more than half of the total voting shares held by shareholders or the representatives of the independent shareholders present at the general meeting.

At the Board meeting held on 26 September 2011, the Parent nominated Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai, Mr. Chang Zhangli, Mr. Guo Chaomin, Mr. Huang Anzhong, Ms. Cui Lijun, Mr. Qiao Longde, Mr. Li Decheng, Mr. Ma Zhongzhi, Mr. Shin Fang and Mr. Wu Liansheng as director candidates. In particular, Mr. Qiao Longde, Mr. Li Decheng, Mr. Ma Zhongzhi, Mr. Shin Fang and Mr. Wu Liansheng were independent non-executive directors.

VIII. AUDITORS' REMUNERATION

At the Board meeting of the Company convened on 30 March 2011, directors resolved to propose to the general meeting the appointment Baker Tilly HK and Vocation International as the overseas and domestic auditors of the Company for 2011 respectively. The Board was authorized by the annual general meeting convened on 3 June 2011 to deal with the appointment of overseas and domestic auditors and determine their remunerations. During the year, an aggregate of RMB11.2 million was paid by the Company to the auditors for their professional audit services.

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

IX. SHAREHOLDERS AND GENERAL MEETINGS

To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes a general meeting every year pursuant to its articles of association and holds extraordinary general meetings when there are matters subject to the consideration of shareholders. At the 2010 annual general meeting of the Company, the first class meeting for holders of H shares and the first class meeting for holders of domestic shares held on 3 June 2011, 6 ordinary resolutions and 3 special resolutions in relation to the issue of bonus shares, authorising the Board to issue the Company's shares and the issue of debt financing instruments were approved and passed. At the 2011 first extraordinary general meeting, the second class meeting for holders of H shares and the second class meeting for holders of domestic shares held on 16 September 2011, 9 special resolutions and 3 ordinary resolutions in relation to the issuance of ordinary shares denominated in RMB (A shares) and the proposed amendments to the Articles of Association were considered and approved. At the 2011 second extraordinary general meeting held on 15 November 2011, 4 ordinary resolutions in relation to the proposal on re-election and appointment of directors and supervisors and the establishment of the Nomination Committee and the Strategic Steering Committee were passed and approved. At the 2012 first extraordinary general meeting held on 5 January 2012, 1 ordinary resolution in relation to the remuneration for the directors of the third session of the Board and the supervisors for the third session of the supervisory committee was passed and approved.

X. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

XI. INTERNAL CONTROL

In order to comply with relevant domestic laws and regulations as well as the requirements under the Listing Rules, strengthen the Company's internal control management and ensure healthy and effective internal controls, the Company has formulated a series of internal management systems in line with the actual conditions of the Company, covering finance regulation, operation regulation, compliance regulation and risk management. Besides, by taking into consideration of the changes in overseas and domestic regulatory requirements, the Company has amended and improved the respective internal control system in a timely manner, thus ensuring the efficient operation of the Company's internal control system and the sustained and robust development of the Company.

XI. INTERNAL CONTROL *(CONTINUED)*

In light of the proposed A share issue, in accordance with the requirements of domestic listing rules, Working Rules for the General Manager (President), Working Rules for Secretary to the Board and amendments to Working Rules of the Audit Committee of the Board, Working Rules of the Remuneration Committee of the Board, Information Disclosure System, Investor Management Measures and Code for Securities Transactions were considered and approved at the Board meeting held on 20 July 2011. Rules for Shareholders' General Meetings, Rules for Board Meetings, Working Rules for Supervisory Committee Meetings, Working Rules for Independent Directors, Rules for Management of Funds Raised from Capital Markets, Rules for Management of Connected Transactions were considered and approved at the general meeting held on 16 September 2011. Working Rules of the Strategic Steering Committee and Working Rules of the Nomination Committee were considered and approved at the Board meeting held on 26 September 2011. According to relevant amendments to the Listing Rules which will take effect from 1 April 2012 and the latest updates on domestic regulatory requirements, the Registration and Management System for Holders of Insider Information (《內幕信息知情人登記管理制度》), the Accountability System for Material Mistakes in the Information Disclosure of Annual Reports (《年報信息披露重大差錯責任追究制度》), the Annual Report Work Procedures of the Audit Committee of the Board (《董事會審核委員會年報工作規程》) and the Internal Control System (《內部控制制度》), as well as the amendments to the Working Rules of the Audit Committee of the Board, the Working Rules of the Remuneration Committee of the Board(《董事會薪酬與考核委員會工作細則》) and the Working Rules of the Nomination Committee were considered and approved on 28 March 2012. In 2011, the Company has generally formed a framework for the internal audit system of the Company based on the additions or amendments to several rules made by the audit and finance departments of the Company. It also established a procedural business management system covering all the major business procedures and sections, the performance of which depends on the efficient operation of the management, the legal compliance department, the finance department and the operation management department of the Company. In addition, the Company further improved the efficiency and performance of various operations as a result of its efforts in standardising relevant operations and key control sections. In addition to the preparation of the comprehensive risk management report, the Company initiated a risk management mechanism in relation to recognition and assessment, prevention and rectification as well as post evaluation, thus mitigating the major and material risks during development and facilitating the robust growth of the Company.

The Board constantly reviewed the efficiency of the operation of the Company's internal monitoring system through the Audit Committee of the Board of the Company, and believed that the internal monitoring system of the Company was under efficient operation. In accordance with the provisions of section C.2.1 of the Code on Corporate Governance Practices, the Directors has reviewed the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period, covering matters such as financial control, operation control, compliance control and risk management function control. The Board was not aware of any material events that might affect shareholders' interests. The Board was of the opinion that, the Company had fully complied with provisions regarding internal control in the Code.

The Board of the Company hereby presents its report together with the audited financial statements of the Group for the year ended 31 December 2011 to its shareholders.

PRINCIPAL BUSINESS

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

RESULTS

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

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB0.215 per share (pre-tax) for 5,399,026,262 shares for the period from 1 January 2011 to 31 December 2011 (2010: RMB0.186 per share (pre-tax) for 2,699,513,131 shares), representing a total amount of RMB1,160,790,646.33 (pre-tax) (2010 total: RMB502,109,442.37 (pre-tax)).

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

The proposed final dividend is subject to approval at the annual general meeting to be held on Wednesday, 23 May 2012.

In accordance with tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the year ended 31 December 2011 to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the H share register of members of the Company on 3 June 2012.

DIVIDENDS *(CONTINUED)*

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Tentative Measures on Withholding and Payment of Individual Income Tax (《個人所得稅代扣代繳暫行辦法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for the Company's individual H shareholders whose names appear on the register of members of H shares of the Company (the "Individual H Shareholders"). Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》) issued by the State Administration of Tax and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of Individual H Shareholders according to their registered address on the H share register of members of the Company on 3 June 2012 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- for Individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法（試行）>的通知》（國稅發[2009]124號）) (the "Tax Treaties Notice") on or before 1 June 2012. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty.

- for Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders.

DIVIDENDS *(CONTINUED)*

If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before 1 June 2012. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are eligible to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 April 2012 to 23 May 2012 (both days inclusive), during which period no transfer of shares in the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, holders of H Shares of the Company shall lodge all the share transfer documents and relevant certificates with the Company's H share registrar, Tricor Investor Services Limited for registration not later than 4:30 p.m. on 20 April 2012 for share registration.

Shareholders whose names appear on the register of members on Sunday, 3 June 2012 will be eligible for the final dividend. The register of members of the Company will be closed from Tuesday, 29 May 2012 to Saturday, 2 June 2012 (both days inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H Shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at Tricor Investor Services Limited, the Company's H Share Registrar, not later than 4:30 p.m. on Monday, 28 May 2012 to facilitate the share transfer registration. The final dividend is expected to be paid on or before Wednesday, 20 June 2012 to the shareholders whose names appear on the register of members of the Company on Sunday, 3 June 2012.

BONUS ISSUE OF SHARES

On 3 June 2011, Shareholders approved the issue of ten bonus shares for every ten Shares to all shareholders based on then issued share capital of the Company of 2,699,513,131 Shares (comprising 1,259,927,183 Domestic Shares and 1,439,585,948 H Shares). The bonus shares were issued as fully paid by capitalisation of share premium in the amount of RMB2,699,513,131.

The Board believes the bonus issue of shares would allow Shareholders to participate in the growth of the Company by way of conversion of the share premium; will provide the Company with a wide capital base and therefore increase the materiality of the Shares and is a return to the long-term support of the Shareholders. Upon the issue of bonus shares on 13 June 2011, the Company has a total issued share capital of 5,399,026,262 Shares (comprising 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares).

PROPERTY, PLANT AND EQUIPMENT

The Group owns property, plant and equipment of approximately RMB71,161 million. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

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

CAPITALISED INTERESTS

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

Share Capital Structure (as at 31 December 2011)

	Number of shares	Percentage of issued share capital
Domestic Shares	2,519,854,366	46.67%
H Shares	2,879,171,896	53.33%
Total share capital	5,399,026,262	100%

Substantial Shareholders (as at 31 December 2011)

Name	Class of shares	Number of shares held	Percentage of total share capital *(%)*
Parent	Domestic Shares	666,962,522	12.35
BNBMG	Domestic Shares	1,485,566,956	27.52
CNBM Trading	Domestic Shares	227,719,530	4.22
Cinda	Domestic Shares	138,432,308	2.56
Building Materials Academy	Domestic Shares	1,173,050	0.02
Public Investors	H Shares	2,879,171,896	53.33
Total share capital		5,399,026,262	100

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

DISCLOSURE OF INTERESTS

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

So far as was known to directors or supervisors of the Company, as at 31 December 2011, the shareholders (other than the directors or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital(%)[2, 7]	Percentage in total share capital(%)[2, 7]
Parent[1, 6]	Domestic Shares	2,381,422,058[3]	94.50	44.10
BNBMG[1]	Domestic Shares	1,485,566,956[3]	58.95	27.52
CNBM Trading[1]	Domestic Shares	227,719,530[3]	9.04	4.22
Cinda[6]	Domestic Shares	138,432,308[3]	5.49	2.56
JP Morgan Chase & Co.	H Shares	567,094,938[3]	19.70	10.50
	H Shares	25,590,536[5]	0.89	0.47
	H Shares	304,343,801[4]	10.57	5.63
Deutsche Bank Aktiengesellschaft	H Shares	144,972,668[3]	5.03	2.68
	H Shares	98,704,234[5]	3.42	1.82
Plowden Charles	H Shares	64,274,000[3]	5.35	1.19
Warden Alison	H Shares	64,274,000[3]	5.35	1.19

DISCLOSURE OF INTERESTS *(CONTINUED)*

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

Notes:

1. Of these 2,381,422,058 shares, 666,962,522 shares are directly held by Parent, the remaining 1,714,459,536 shares are deemed corporate interest indirectly and separately held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% of its equity interests, of which 69.45%% is directly held and 30.55% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to be interested in the shares directly held by BNBMG (1,485,566,956 shares), CNBM Trading (227,719,530 shares) and Building Materials Academy (1,173,050 shares).

2. As at 31 December 2011, the Company's total issued share capital comprises 5,399,026,262 shares, including 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.

3. Long position.

4. Lending pool.

5. Short position.

6. Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to Parent ("Second Transfer of Shares"). Consequently, under the SFO, Parent was deemed to own 2,443,222,195 Domestic Shares (representing 96.95% in the domestic share capital and 45.25% in the total share capital) and Cinda was deemed to own 76,632,171 Domestic Shares (representing 3.04% in the domestic share capital and 1.41% in the total share capital). As at 31 December 2011, the formalities in respect of the share transfer registration of the First Transfer of Shares and Second Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this report, the formalities in respect of the said registrations of the transfer of shares are still under process and are yet to complete.

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

Save as disclosed above, as at 31 December 2011, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS *(CONTINUED)*

II. Interests and Short Positions of Directors and Supervisors

As at 31 December 2011, as far as the Company is aware, none of the directors nor supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the directors or supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

Save as disclosed in the section headed "BONUS ISSUE OF SHARES", the Company did not issue any securities, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company during the year ended 31 December 2011 ("securities" shall have the meaning as defined in the Listing Rules).

TAX REDUCTION FOR HOLDERS OF LISTED SECURITIES

For the year ended 31 December 2011, holders of the Company's securities were not entitled to any tax reduction for holding such securities pursuant to their legal status in the PRC.

MINIMUM PUBLIC FLOAT

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

RESERVES

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company on 31 December 2011 and the date of this report were RMB1,013.6 million and RMB4,353.6 million, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had approximately 82,352 employees.

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

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

SHARE APPRECIATION RIGHTS PLAN

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

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

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

SHARE APPRECIATION RIGHTS PLAN *(CONTINUED)*

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

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

As the SA Rights vest at different amounts until the grantee have completed a specified period of service and during the reporting period, no SA Rights was granted, the Company recognised the services received and a liability of RMB2.49 million (2010: RMB2.88 million) during the reporting period, being the estimated compensation paid for service rendered by the grantee during the year.

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

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

Executive Directors:

Song Zhiping	(appointed on 10 March 2005)
Cao Jianglin	(appointed on 10 March 2005)
Peng Shou	(appointed on 20 June 2006)
Cui Xingtai	(appointed on 24 August 2009)
Chang Zhangli	(appointed on 15 November 2011)

Non-executive Directors:

Guo Chaomin	(appointed on 15 November 2011)
Huang Anzhong	(appointed on 10 March 2005)
Cui Lijun	(appointed on 10 March 2005)

Independent Non-executive Directors:

Qiao Longde	(appointed on 15 November 2011)
Li Decheng	(appointed on 29 August 2008)
Ma Zhongzhi	(appointed on 15 November 2011)
Shin Fang	(appointed on 15 November 2011)
Wu Liansheng	(appointed on 15 November 2011)

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

Supervisors:

Wu Jiwei	(appointed on 15 November 2011)
Zhou Guoping	(appointed on 10 March 2005)
Cui Shuhong	(appointed on 10 May 2005)
Liu Zhiping	(appointed on 30 June 2008)
Tang Yunwei	(appointed on 15 November 2011)
Zhao Lihua	(appointed on 15 November 2011)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

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

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

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The terms of office for the second session of the Board and the Supervisory Committee expired on 30 June 2011. Upon the approval at the 2011 second extraordinary general meeting of the Company held on 15 November 2011, each of Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Chang Zhangli was elected as an executive director of the Company, each of Mr. Guo Chaomin, Mr. Huang Anzhong and Ms. Cui Lijun was elected as a non-executive director of the Company and each of Mr. Qiao Longde, Mr. Li Decheng, Mr. Ma Zhongzhi, Mr. Shin Fang and Mr. Wu Liansheng was elected as an independent non-executive director of the Company, each of Mr. Wu Jiwei, Ms. Zhou Guoping, Mr. Tang Yunwei and Mr. Zhao Lihua was elected as a supervisor of the Company and each of Mr. Tang Yunwei and Mr. Zhao Lihua was elected as an independent supervisor of the Company. Each of Ms. Cui Shuhong and Mr. Liu Zhiping was elected as a staff representative supervisor at the staff representative meeting of the Company held on 11 November 2011. The terms of office for the third session of the Board and the Supervisory Committee were 3 years, commencing from 15 November 2011 and ending on 14 November 2014.

The term of office for the senior management members of the Company expired on 30 June 2011. Upon consideration at the first meeting of the third session of the Board held on 15 November 2011, the re-appointments of the existing senior management members were approved and Mr. Chen Xuean was newly elected as vice president of the Company. The term of office for the new session of senior management members was three years, commencing from 15 November 2011 to 14 November 2014.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The connected transactions of the Company, which are also related party transactions, are set out in Note 42 to the consolidated financial statements in accordance with International Accounting Standard 24 "Related Party Disclosure".

On 4 November 2010, the Company entered into new framework agreements in respect of the following non-exempt continuing connected transactions with Parent which were exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules and were only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules as each of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules on an annual basis is less than 5%. The Company made the announcement on these non-exempt continuing connected transactions on 4 November 2010.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group

After completion of the issue of bonus shares on 13 June 2011, the Parent has a direct equity interest of 12.35% and total direct and indirect equity interest of 44.11% in the Company. It is a controlling shareholder of the Company. Each of Parent and its subsidiaries therefore constitutes a connected person of the Company under the Listing Rules.

1. Master Purchases of Mineral Agreement

   On 4 November 2010, the Company entered into a Master Purchases of Mineral Agreement with Parent, for a term of three years commencing from 1 January 2011. Whereby Parent agreed to supply, or procure its subsidiaries to supply, to the Company limestone and clay for the production of clinker and other cement products. Parent shall supply to the Company limestone and clay from its quarries at market rates, namely, the price at which the same type of mineral is provided to Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2011, the Group's expenditure for ore and clay supplied by Parent Group was RMB96.8 million.

2. Master Mutual Provision of Products and Services Agreement

   On 4 November 2010, the Company entered into a Master Mutual Provision of Products and Services Agreement with Parent for a term of three years commencing from 1 January 2011. Pursuant to which:

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

      - Production supplies: raw materials and commodities (including grinding aid, spare parts, refractory materials) and other similar raw materials for the Group's production; and

      - Support services: transportation services; equipment repair, design and installation services; property management services; technology services; other similar services;

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

      - Production Supplies: clinker, cement, diesel and petrol, lightweight building materials and other raw material and commodities; and

      - Support services: equipment and conveyance leasing; water, electricity and steam supply services; and technology services.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

2. Master Mutual Provision of Products and Services Agreement *(Continued)*

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

   (a) the government-prescribed price;

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

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

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

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

   For the year ended 31 December 2011, the Group's expenditure for the products and services provided by Parent Group was RMB347.0 million.

   For the year ended 31 December 2011, the Group's revenue from the production supplies and support services provided to Parent Group was RMB324.4 million.

CONNECTED TRANSACTIONS *(CONTINUED)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Transactions with Parent Group *(Continued)*

3. Master Purchase of Equipment Agreement

   On 4 November 2010, the Company entered into a Master Purchase of Equipment Agreement with Parent for a term of three years commencing from 1 January 2011. Whereby Parent agreed to supply, or procure its subsidiaries to supply, equipment to the Company for the construction of our production lines. The equipment provided pursuant to the Master Purchase of Equipment Agreement shall be at market rate, namely, the price at which the same type of equipment is provided by Independent Third Parties under normal commercial terms in the ordinary course of business in the same area, in the vicinity or in the PRC.

   For the year ended 31 December 2011, the Group's expenditure for equipment supplied by Parent Group was RMB219.2 million.

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

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

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

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

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

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

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

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

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

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

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

NON-EXEMPT CONNECTED TRANSACTIONS

During 2011 and up to the date of this report, the Company has not entered into any non-exempt connected transactions.

NON-COMPETITION AGREEMENT

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

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of 31 December 2011, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

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

At the Board meetings held on 26 June 2009 and 18 June 2010, pursuant to the authorisation granted at the 2009 and 2010 annual general meeting, the Board determined to continue to engage UHY HK and Vocation International as international and domestic auditors of the Company respectively, to hold office until the conclusion of the next annual general meeting. As the H-share audit business of UHY HK was merged with Baker Tilly HK, in the extraordinary general meeting on 30 December 2010 the Shareholders approved to appoint Baker Tilly HK as international auditor of the Company for 2010 until the conclusion of 2011 annual general meeting.

At the Board meetings held on 30 March 2011, pursuant to the authorisation granted at the 2011 annual general meeting, the Board determined to continue to engage Baker Tilly HK and Vocation International as international and domestic auditors of the Company respectively, to hold office until the date of convening the 2012 annual general meeting of the Company. Baker Tilly HK has audited the financial statements prepared under the International Financial Reporting Standards.

By order of the Board
Song Zhiping
Chairman

Beijing, the PRC
28 March 2012

Report of the Supervisory Committee

Dear shareholders,

During the reporting period, in accordance with relevant requirements of the Company Law and the Articles of Association of the Company, all members of the second and the third sessions of the supervisory committee of the Company (the "Supervisory Committee"), on the principle of fairness and honesty, have conscientiously and diligently performed their supervisory duties in a responsible manner and carried out effective supervision over the performance of duties by the Directors and senior management, the Company's operation and management and financial conditions, in order to safeguard the interests of the Company and its shareholders.

During the reporting period, the third session of the Supervisory Committee of the Company was elected at the second extraordinary general meeting for 2011, comprising Wu Jiwei and Zhou Guoping (as shareholder representative supervisors), Tang Yunwei and Zhao Lihua (as independent supervisors), and Cui Shuhong and Mr. Liu Zhiping (as staff representative supervisors), for a term of three years.

During the reporting period, the Supervisory Committee held a total of five meetings, with four convened by the second session of the Supervisory Committee and one by the third session of the Supervisory Committee. The Supervisory Committee has reviewed the Group's financial report for 2010, the interim financial report for 2011 and the profit distribution plan for 2010, prudently audited the operation and development plans of the Company, and made reasonable proposals and recommendations to the Board. Meanwhile, it conducted strict and effective supervision and inspection of the procedures for the convening of, resolutions proposed at, and decision-making procedures of shareholders' general meetings and Board meetings, the execution by the Board of the resolutions of general meetings, performance of duties by Directors and senior management in accordance with laws, the compliance of major and specific decisions of the Company's management with the State laws, regulations and the Company's articles of association, and the protection of shareholders' interests.

The Supervisory Committee is of the opinion that, all members of the Board and senior management of the Company have strictly complied with relevant laws, regulations, and the articles of association of the Company. They have also discharged their duties with honesty, diligence and dedication, and implemented various resolutions passed and authorities granted at general meetings. The Company carried out standard financial audits and put in place a sound internal control system. The financial reports of the Company reflect in an objective, true and fair manner the Company's financial conditions and operating results in all major aspects, and are truthful and reliable. In reviewing the Company's financial standing and examining the directors' and senior management's performance of duties, the Supervisory Committee did not find any breach of laws, regulations, the articles of association of the Company or any other rules or provisions, or any harm against the interests of the Company or its shareholders.

The Supervisory Committee has duly reviewed and approved the Report of the Board proposed to be submitted to the annual general meeting, the audited financial reports and profit distribution plans, and considers that the report is in consistence with the actual circumstances of the Company.

The Supervisory Committee is satisfied with various business activities and results of the Company for 2011, and is confident in the Company's prospects.

In 2012, the Supervisory Committee will continue to perform its supervisory duties on the principle of honesty and diligence, step up supervision, concretely safeguard and guarantee the legitimate interests of the Company and its shareholders, and proactively proceed with various tasks, in strict compliance with relevant laws, regulations and the articles of association of the Company.

Wu Jiwei
Chairman of the Supervisory Committee

Beijing, the PRC
28 March 2012

I. MATERIAL LITIGATION AND ARBITRATION

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

II. MATERIAL TRANSACTIONS

1. Establishment of Southwest Cement

On 9 December 2011, the Company entered into the Capital Contribution Agreement with Shenzhen Jingda Equity Investment Management Company Limited ("Shenzhen Jingda"), Shanghai Zhentong Equity Investment Management Company Limited ("Shanghai Zhentong") and Beijing Huachen Pujin Asset Management Center (Limited Liability Partnership) ("Beijing Huachen") with a view to establishing Southwest Cement, which is expected to be a frontrunner of the Group in developing the cement business in southwest region in China. The registered capital of Southwest Cement was RMB10 billion, which was to be paid by installments. Upon the receipt of all the capital contributions, Southwest Cement will be held as to 50% by the Company, 30% by Shenzhen Jingda, 15% by Shanghai Zhentong and 5% by Beijing Huachen.

Details of the establishment of Southwest Cement has been disclosed in the announcement issued by the Company on 9 December 2011. As at the date of this report, the paid-in capital received by Southwest Cement amounted to RMB5,000 million, of which the Company contributed an amount of RMB4,130 million, representing 82.6% of the total paid-in capital and Shanghai Zhentong and Beijing Huachen contributed RMB370 million and RMB500 million, representing 7.4% and 10% of the total paid-in capital received by Southwest Cement, respectively.

2. Proposed A Share Offering

In order to further improve the governance structure of the Company, expand the financing channels in the capital market, optimize the capital structure and expedite the Company's development, the Company proposed to apply to CSRC for the initial public offering of not more than one billion A shares with a par value of RMB1.00 each. The Company intended to utilise the net proceeds raised from A share offering for (1) acquisition, investment in fixed assets and alteration of information system as well as (2) repayment of bank loans and replenishment of the cash flow.

Details on the proposed A share offering have been disclosed in the Company's announcement dated 20 July 2011, the announcement dated 16 September 2011 and the circular dated 1 August 2011. The Company has applied to the CSRC for the proposed issue of A shares and has received the acknowledgement of receipt from CSRC. The proposed A share offering is still under progress.

DIRECTORS

Executive Directors

Song Zhiping, born in October 1956, is the chairman of the Board and an executive director of the Company. Mr. Song has over 30 years of experience in business and management in China's building materials industry. He has served as the chairman of Parent since October 2005 and the chairman of the Board and executive director of the Company since March 2005. He served as the chairman of China United from March 2003 to April 2005 and the general manager of Parent from March 2002 to October 2005. He also served as the vice general manager of general affairs and the vice general manager of Parent from October 1995 to March 2002, respectively. From May 1997 to May 2002, Mr. Song served as the chairman of BNBM and the chairman of BNBMG since January 1996. Mr. Song served several positions in BNBMG (both prior to and after its conversion) from September 1987 to July 2002, including the deputy director and the director of the factory, the general manager and the secretary to the Party Committee. Mr. Song has served as the chairman of China National Pharmaceutical Group Corporation since May 2009. Mr. Song received a bachelor's degree in polymer from Hebei University in August 1979 and received an MBA degree from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1995 and a doctor's degree in management from Huazhong University of Science and Technology in June 2002. Mr. Song is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. Mr. Song is currently the vice president of China Building Materials Industry Association (中國建築材料聯合會), the vice president of China Enterprise Confederation, the chairman of the board (主席團主席) of China Federation of Industrial Economics, the vice president of China's Listed Companies Association (中國上市公司協會), the vice president of China Logistics Alliance Network (中國物流與採購聯合會) and the head and vice president of general affairs of the China Capital Entrepreneurs' Club (首都企業家俱樂部). Mr. Song received a number of awards for his management and entrepreneurial skills, including National Model Worker (全國勞動模範), 500 Chinese Enterprise's Pioneers (中國500名企業創業者), Chinese Entrepreneur (中國創業企業家), National Outstanding Young Entrepreneur (全國優秀青年企業家), the Eighth Session of National Outstanding Entrepreneur "Golden Globe Awards" (第八屆全國優秀企業家金球獎), Management Elite Award (管理人物精英獎), one of the Top Ten Merger and Acquisition Businessmen in the PRC (中國十大併購人物), the Yuan Baohua Enterprise Management Gold Award (袁寶華企業管理金獎) and the China Enterprise Reform Medallion in the Thirty Years of Reform and Opening Up (改革開放30年中國企業改革紀念章), the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果), People with Outstanding Contribution to Social Responsibility Undertakings (人民社會責任杰出貢獻人物) as well as the Golden Bauhinia Awards "Most Influential Leader" (中國證券金紫荊獎最「具影響力領袖獎」).

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Cao Jianglin, born in September 1966, is an executive director of the Company. Mr. Cao has over 20 years of experience in business and management in the building materials industry. Mr. Cao has been a director of China United since December 2011, the chairman of the supervisory committee of BNBM since September 2009, the chairman of North Cement since March 2009, the chairman of South Cement since September 2007, the chairman of the supervisory committee of BNBMG since August 2005, a director of Parent since October 2005, the chairman of the supervisory committee of China United from April 2005 to December 2011, the executive director and president of the Company since March 2005. From October 2004 to August 2009, Mr. Cao was the chairman of BNBM, the director of both China Composites and China Triumph since September 2004, the chairman of China Fiberglass since June 2002 and the chairman of CNBM Investment since March 2002. From April 1998 to October 2005, Mr. Cao served in a number of positions in Parent and the Group, including the general manager assistant, the vice general manager and the vice chairman of BNBMG, the general manager assistant and the vice general manager of Parent, the president of BND and the general manager of China Fiberglass. Mr. Cao received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1990 and an MBA degree from Tsinghua University in January 2004. Mr. Cao is a senior accountant and was awarded a special grant of the government approved by the State Council. Mr. Cao currently serves as the vice president of China Building Materials Industry Association（中國建築材料聯合會）, the vice president of China Youth Entrepreneurs Association（中國青年企業家協會）, the chairman of the Listed Companies Association of Beijing（北京上市公司協會）. Mr. Cao was granted Working Model of China Central Government Enterprises, Excellent Entrepreneur of the State and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

Peng Shou, born in August 1960, is an executive director of the Company. Mr. Peng has over 25 years of experience in business and management in the building materials industry. He is an expert in inorganic materials research and development as well as engineering design and consulting. Mr. Peng has served as an executive director of the Company since June 2006, a vice president of the Company since March 2005, the chairman of China Triumph since September 2004 and the general manager of China Triumph since May 2002. He also served as the deputy general manager of China Triumph from June 2001 to May 2002. Mr. Peng received a bachelor's degree in engineering from Wuhan Institute of Building Material Industry (now Wuhan University of Technology) in July 1982 and a master's degree in management from Wuhan Polytechnic University (now Wuhan University of Technology) in June 2002. Mr. Peng is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council. Mr. Peng currently is an executive member, vice chairman and president-elect of International Commission on Glass and a director of general affairs and the deputy chairman of the fourth general committee of the China Building and Industrial Glass Committee. Mr. Peng was awarded National Model Worker (全國勞動模範), National May Day Labor Medal and Guanghua Engineering Science and Technology Award. He is also among the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project (新世紀百千萬人才工程).

DIRECTORS *(CONTINUED)*

Executive Directors *(Continued)*

Cui Xingtai, born in November 1961, is an executive director of the Company. Mr. Cui has over 25 years of business and management experience in China's building materials industry. He has served as an executive director of the Company since August 2009, a director of South Cement since September 2007, the chairman of China United since April 2005, a vice president of the Company since March 2005 and the secretary of the Party Committee of China United since August 2004. Mr. Cui served as the vice chairman of China United from August 2004 to April 2005, the deputy chief engineer of Parent from November 2003 to March 2005, and the deputy general manager of China United from April 2002 to August 2004, the chief engineer of China United from July 1999 to August 2004, From June 1997 to January 1999, Mr. Cui served as the head of Shandong Lunan Cement Factory. Mr. Cui received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1984 and received a master's degree in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he received an EMBA degree from Tsinghua University on January 2008. Mr. Cui is qualified as a senior engineer and was awarded a special grant of the government approved by the State Council. Mr. Cui is the vice president of China Cement Association. Mr. Cui was awarded as Outstanding Entrepreneur in China's Building Materials Industry (全國建築材料行業優秀企業家)" and the first prize of National Corporate Management Modernization and Innovation Achievements in Building Materials Industry (全國建材行業企業管理現代化創新成果).

Chang Zhangli, born in December 1970, is an executive director of the Company. Mr. Chang has over 15 years' experience in handling listing-related matters for the Company, with participation in all major matters relating to the global offering of the shares of the Company and listing of shares of the Company on the Stock Exchange. Mr. Chang has served as the director of China United and China Composites since December 2011, the executive Director of the Company since November 2011 and the director of North Cement since March 2009, the director of BNBM since July 2008, the director of South Cement since September 2007, the vice president of the Company since August 2006, the director of China Fiberglass since July 2005, the secretary to the Board of the Company since March 2005 and the director of CNBM Investment since December 2000. From August 1997 to March 2005, Mr. Chang served in a number of key positions in BNBM, including the deputy manager and manager of the securities division, the manager of the management and corporate planning division, the secretary to the board of directors and the deputy general manager. Mr. Chang is an engineer who received a bachelor's degree in engineering from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from Tsinghua University in June 2005. Currently, Mr. Chang serves as the deputy secretary of the Listed Companies Association of Beijing. Mr. Chang was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

DIRECTORS *(CONTINUED)*

Non-executive Directors

Guo Chaomin, born in August 1957, is a non-executive director of the Company. Mr. Guo has over 35 years of experience in business and management in the building materials industry of China. He has been a non-executive director of the Company since November 2011, the general manager of China National United Equipment Group Corp. from October 2006 to March 2010, the general manager of Parent since September 2003, the general manager assistant of Parent from April 2002 to September 2003, the general manager of investment and development department of Parent from April 2002 to August 2004, the general manager of Zhongbei Glass Industrial Company (中北玻璃工業公司) from December 2002 to February 2004 and the deputy chief accountant of Parent from May 1998 to April 2002. During the period from March 1983 to May 1998, Mr. Guo served successively for several positions in Parent including the deputy head, the head, the deputy manager and the manager of planning and finance department. Mr. Guo received a bachelor's degree in economics from Renmin University of China in March 1983 and an MBA degree from China Europe International Business School in May 1998. Mr. Guo is a senior economist.

Huang Anzhong, born in July 1963, is a non-executive director of the Company. Mr. Huang has over 25 years of experience in business and management in the building materials industry. Mr. Huang has served as the vice general manager of Parent since December 2009, the non-executive director of the Company since March 2005 and the general manager of CNBM Trading since January 2005. Mr. Huang served as the supervisor of China Fiberglass from March 1999 to July 2005, the vice general manager and the general manager of CNBM Trading from April 1996 to January 2005, Mr. Huang graduated with a bachelor's degree in engineering from Nanjing Institute of Chemical Technology in July 1985 and received an EMBA degree from Xiamen University in May 2005. Mr. Huang is currently a senior economist and was awarded a special grant of the government approved by the State Council.

Cui Lijun, born in October 1960, is a non-executive director of the Company. Ms. Cui has over 25 years of experience in business and management in the building materials industry. Ms. Cui has served as the vice chairman of BNBMG since August 2005, the chairman of the supervisory committee of China Fiberglass from July 2005 to April 2011, the non-executive Director of the Company and the general manager of the BNBMG since March 2005, the director of BNBM since June 2003, the director of China Fiberglass from May 2002 to July 2005 and the chief financial officer of BNBMG from April 2002 to September 2006. Ms. Cui received a bachelor's degree in industrial accounting from Beijing Open University in December 1986 and received a master's degree in investment management from the Graduate School of Chinese Academy of Social Sciences in November 1998. Ms. Cui is an accountant.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors

Qiao Longde, born in January 1948, is an independent non-executive director of the Company. Mr. Qiao has over 45 years of experience in business and management in the building materials industry. Mr. Qiao has been an independent non-executive director since November 2011, the chairman of the Fourth Session of the Council of China Building Materials Federation since April 2011, the vice-ministerial grade cadre of SASAC since July 2010, the chairman of the Supervisory Committee for Key State-owned Enterprises of the State Council from June 2000 to July 2010, the deputy head and a member of the Party Committee of the State Bureau of Building Materials Industry from March 1995 to June 2000, the head and secretary to the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from July 1991 to March 1995, the deputy head and vice secretary to the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from October 1986 to June 1991, the secretary to the Party Committee and the chief commander of engineering construction of Gansu Wushan Cement Factory (甘肅武山水泥廠) from November 1980 to June 1983, as well as the deputy head and a member of the Party Committee of Bureau of Building Materials Industry of Gansu Province (甘肅省建材局) from April 1975 to June 1983. Mr. Qiao received a bachelor's degree from the Chinese Department of Gansu Northwest Normal University in September 1985, a bachelor's degree in economics and management from Correspondence Institute of the Party School of Central China of Communist Party of China (中共中央黨校函授學院) in July 1994, a master's degree in architecture and civil engineering from Wuhan University of Technology in July 2001 and a doctor's degree in engineering and management science from Wuhan University of Technology in June 2004. Mr. Qiao is a senior economist.

Li Decheng, born in May 1945, is an independent non-executive director of the Company. Mr. Li has accumulated over 40 years of experience in the field of economic management. Mr. Li has served as an independent non-executive director of the Company since August 2008，the executive vice chairman and the director of the China Enterprise Confederation (中國企業聯合會、中國企業家協會) since 2008. From March 2004 to April 2008, he served as the chairman and the secretary to the Party Committee of the 4th Shenzhen Committee of China People's Political Consultative Conference ("CPPCC"). He was the chairman and the secretary of the Party Committee of the 3rd Shenzhen CPPCC from March 2002 to March 2004. He was the deputy secretary of the Communist Party of China Standing Committee of Shenzhen from May 2000 to March 2002. From May 1995 to March 2004, he was the standing deputy city mayor of Shenzhen. He was the secretary to Industry Committee and the general manager of Municipal Investment Management Company in Shenzhen from September 1993 to October 1994, a member of the Communist Party of China Standing Committee of municipal government of Shenzhen from September 1993 to March 2004 and served as the deputy chief, the chief and the secretary to the Party Committee for Economics System Reform Committee of Jilin Province from February 1988 to March 1992, and served as the chief and secretary to the Party Committee for Economic Planning Committee of Jilin Province from January 1985 to June 1987, and the deputy chief and a member of the Party Committee for Economic Committee of Jinlin Province from September 1983 to January 1985. Mr. Li is an engineer who received a bachelor's degree in laser and infrared ray from Changchun Institute of Optics and Fine Mechanics in August 1969. He is a member of the 11th National Committee of CPPCC.

DIRECTORS *(CONTINUED)*

Independent Non-executive Directors *(Continued)*

Ma Zhongzhi, born in January 1944, is an independent non-executive director of the Company. Mr. Ma has more than 40 years of experience in business and management covering the supervision and management of banking and securities regulation. He has served as the independent non-executive director of the Company since November 2011, the independent supervisor of the Company from June 2008 to November 2011, the independent director and the chairman of the Audit Committee of Standard Chartered Bank (China) Limited since March 2008. Mr. Ma served as the chairman of the Supervisory Committee for Key State-owned Enterprises of the State Council from June 2000 to April 2007, and the audit commissioner of the State Council from November 1998 to June 2000. From September 1992 to November 1998, he served as the deputy head and the head of the office of Securities Commission of the State Council, including from June 1994 to November 1998, he took the position of a member of the Party Committee and secretary general of CSRC. He served as the deputy head of the headquarters of the People's Bank of China between November 1991 and September 1992, and the deputy branch manager of the People's Bank of China Shenyang Branch between June 1984 and November 1997. Since June 1993, he has also worked as a part-time professor and postgraduate supervisor in the Graduate School of the People's Bank of China. He is a senior economist who received a bachelor's degree in economic management from Liaoning University in August 1984. Mr. Ma wrote a book entitled Study and Thought on the Japanese Securities Market, edited books like A Must-read for Financing in the U.S. Securities Market and Issuance of Convertible Bonds and Market Practices, and authored a book entitled Basic Knowledge of Securities Market. He has been honoured as a national expert who has made outstanding contributions, by the People's Bank of China.

Samuel Shin Fang, born in December 1941, is an independent non-executive director of the Company. He has over 40 years of experience in business and management in respect of corporate management and capital operation and has been an independent non-executive director of the Company since November 2011. In May 2000, Mr. Fang established SF CAPITAL LTD., serving as its president, and he worked for GET MANUFACTURING INC. from January 1996 to May 2000 as its chairman. Mr. Fang has been the director of Chung Tak Lighting Control Systems (Guangzhou) Ltd. (廣州市中德電控有限公司) since August 1993 and the director of Yue-Sai Kan Cosmetics Ltd. (靳羽西化妝品有限公司) from July 1992 to December 2000. He served as the managing director of GENERAL ELECTRONICS (HK) LTD. from January 1969 to December 1995. Mr. Fang obtained a bachelor's degree in Physics from Rensselaer Polytechnic Institute in June 1964 and an MBA from Columbia University in US in June 1966.

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Wu Liansheng, born in December 1970, is an independent non-executive director of the Company. He has extensive research experience in the area of accounting rules and earnings management, corporate governance and corporate financial behaviour, Mr. Wu has been the independent non-executive director of the Company since November 2011, the professor and head of the department of accounting of the Guanghua Management Institute of Peking University since August 2007, the deputy head of the department of accounting of the Guanghua Management Institute of Peking University from March 2003 to July 2007, a Ph.D supervisor of the Guanghua Management Institute of Peking University since August 2002 and has been a lecturer, associate professor and professor of the Guanghua Management Institute of Peking University since September 2001. Mr. Wu received a bachelor's degree in economics from Wuhan University in July 1993, a master's degree in economics from Wuhan University in June 1996 and a doctor's degree in management in June 1999. Mr. Wu has over a number of papers published in numerous renowned journals at home and abroad, including 3 masterpieces of his, namely "Studies on the Frontier Issues in Accounting: Development and Innovation", "Governance to Categorized Accounting Information Distortion: from Accounting Order to Accounting Rules" and "Studies on Accounting Report of Listed Companies" (上市公司會計報告研究). In addition, he has led six projects in total including the National Social Science Funds, National Natural Science Funds and Humanities and Social Sciences of the Ministry of Education. Mr. Wu currently serves as independent directors in listed companies such as Huaneng Power International, Inc., Western Mining Company Limited (西部礦業發展股份有限公司) and Wanda Cinema Line Company Limited. He was shortlisted in the "New Century Outstanding Person Support Scheme" (新世紀優秀人才支持計劃) of the Ministry of Education.

SUPERVISORS

Wu Jiwei, born in February 1971, currently serves as the chairman of the Supervisory Committee of the Company. He has accumulated over 15 years of experience in financial management. Mr. Wu has served as the chairman of the Supervisory Committee of the Company since November 2011, the chief accountant of Parent since April 2011, the director of financial management centre of China Chengtong Holdings Group Limited from December 2008 to April 2011, the deputy chief accountant of Engineering Technology Branch Company (工程技術分公司) of China National Petroleum Corporation from April 2008 to December 2008, the general manager assistant of China National Petroleum Corporation ("CNPC") Services and Engineering Ltd. as well as the chief accountant of China National Logging Corporation from April 2005 to April 2008. Mr. Wu served a number of positions for the finance department of CNPC Services and Engineering Ltd from February 2001 to April 2005, such as the deputy manager of financial assets department and the manager of finance department. From September 1999 to February 2001, he worked as an accountant of fiscal budget division of financial assets department (財務資產部資金預算處) of China National Petroleum Corporation. He obtained a bachelor's degree in financial accounting from Xi'an Petroleum College in July 1994 and received his master's degree in management from Central University of Finance and Economics in September 1999. Mr. Wu is a senior accountant.

SUPERVISORS *(CONTINUED)*

Zhou Guoping, born in February 1960, is a Supervisor of the Company. Ms. Zhou has over 20 years' experience in financial management. Ms. Zhou has been the chief economist of Parent since December 2009, a supervisor of the Company since March 2005, assistant to the general manager of Parent from October 2003 to December 2009 and the general manager of the finance department of Parent from October 2003 to December 2006 and the chief financial officer of Zhongxin Group Financial Company from July 2000 to April 2003. From March 1992 to October 2003, Ms. Zhou served successively as the deputy head of the Planning Division in the Integrated Planning Department, assistant to the manager of the Integrated Planning Department, assistant to the manager of Planning and Finance Department, and deputy manager and manager of the Planning and Finance Division and deputy manager of the financial management division of Parent. Ms. Zhou received a bachelor's degree in engineering from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology) in July 1982 and an EMBA degree from Xiamen University in December 2006. Ms. Zhou is qualified as a professor-grade senior engineer.

Tang Yunwei, born in November 1944, is an independent Supervisor of the Company. He has over 25 years' experience in corporate operation and financial management. Mr. Tang has been an independent supervisor of the Company since November 2011 and served in Ernst & Young Da Hua as a senior consultant from December 2006 to December 2008. He has been the president of Shanghai Accounting Association (上海市會計學會) since 2002 and served as the chief accountant in Ernst & Young Da Hua from January 2000 to December 2006. He has been the chairman of Shanghai Dahua Certified Public Accountants since January 2000 and served as a senior researcher in the International Accounting Standards Committee from March 1999 to January 2000. Mr. Tang has been a member of China Accounting Standards Committee (中國會計準則委員會) since 1997, a member of the Listing Committee of Shanghai Stock Exchange since 1996 and a member of China Auditing Standards Board (中國審計準則委員會) since 1994. He was the president of Shanghai University of Finance and Economics from October 1993 to January 1999 and served as a lecturer, associate professor, assistant to the president, professor and vice president of Shanghai University of Finance and Economics from 1984 to September 1993. Mr. Tang received a bachelor's degree in economics from Shanghai University of Finance and Economics in August 1968, a master's degree in economics from Shanghai University of Finance and Economics in August 1983 and a doctor's degree in accounting from Shanghai University of Finance and Economics in August 1987. Currently, Mr. Tang serves as independent directors of companies such as Ping An Insurance (Group) Company of China, Ltd. Mr. Tang was honored by American Accounting Association as a distinguished international visiting professor and was recognized by State Education Commission and Ministry of Human Resources as returned overseas with outstanding contributions to the progress of socialist modernization.

SUPERVISORS *(CONTINUED)*

Zhao Lihua, born in September 1942, is an independent supervisor of the Company. Mr. Zhao has accumulated substantial experience in corporate management. He has been an independent Supervisor of the Company since November 2011 and served as an independent director of China Fiberglass from July 2003 to April 2011. He served as the chairman of the board of directors of Hebei Huda Technology and Education Development Co., Ltd. from April 2000 to October 2002, the vice director of Hunan Physics Association (湖南省物理學會) from March 1997 to August 2008. He has been a Ph.D supervisor in Hunan University since May 1996. From May 1995 to July 1995, he conducted cooperative research in University of Wisconsin-Madison. He served as a vice president of Hunan University from April 1992 to March 2000 and was a visiting professor of University of Hanover in Germany in 1989. He served as a professor of the Department of Applied Physics since June 1987 and the deputy head and head of Laboratory Management Department of Hunan University from March 1984 to March 1992. Mr. Zhao was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and successively served as an instructor, a lecturer and associate professor of the department of applied physics in Hunan University from May 1978 to June 1987. Mr. Zhao received a bachelor's degree in theoretical physics from Hunan University in July 1965 and published more than 160 scientific research papers in renowned domestic and international academic journals. Mr. Zhao currently serves as an independent director of China Glass Holdings Limited. Mr. Zhao was awarded the second prize of technology advancement for the Ministry of Machine Building (機械工業部科技進步二等獎) and the third prize of technology advancement for the Ministry of Education (教育部科技進步三等獎).

Cui Shuhong, born in March 1968, is a staff representative Supervisor of the Company. Ms. Cui has over 15 years' experience in management positions. Ms. Cui has been a staff representative supervisor since May 2005 and the general manager of the Administration and Human Resources Department of the Company since April 2005. She served as the deputy director of the General Manager's Office of Parent from April 2002 to April 2005, and the deputy manager of the Human Resources Office and deputy director of General Manager's Office of BNBM from November 2001 to April 2002. She also served as the deputy director of the General Manager's Office of BNBMG from August 1997 to October 2001. Ms. Cui received a bachelor's degree in economics from Beijing Economics Institute in July 1990. She is a senior economist.

Liu Zhiping, born in November 1962, is a staff representative Supervisor of the Company. Mr. Liu had nearly 20 years of experience in economic management and investment. Mr. Liu has been a staff representative supervisor of the Company since June 2008, the general manager of the Company's Investment Development Department since April 2005 and the chairman of the supervisory committee of China Composites since September 2004. He served as the deputy head of General Manager's Office of Parent from August 2004 and March 2005, the general manager of Strategic Development Department of Finance Company of HNA Group Co., Ltd. from January 2004 to July 2004, the general manager assistant of Zhongxin Group Finance Company from May 2002 to December 2003, the General Manager of Foreign Currency Department（外匯業務部）in China Education Technology Trust Investment Company from November 1994 to May 2002, the deputy head of Foreign Currency Management Office（外匯管理處）of National Foreign Currency Bureau (Hainan Branch) from November 1993 to November 1994 and the deputy head of policy and law department of National Foreign Currency Bureau from August 1988 to November 1993. Mr. Liu received a bachelor's degree in economics in July 1985 and a master's degree in banking and currency in July 1988 from Jilin Trade and Business College. He obtained a doctor's degree of management from Huazhong University of Science and Technology in October 2000. He is a senior economist.

SENIOR MANAGEMENT

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

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

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

Chang Zhangli is a vice president of the Company. Please refer to the section headed "Executive Directors" for his biographical details.

Li Yimin, born in January 1954, is a vice president of the Company. Mr. Li has over 30 years of experience in business and management in the building materials industry. Mr. Li has been the chairman of the supervisory committee of China United since December 2011, the chief engineer of the Company from November 2011 and the chairman of the supervisory committee of China Fiberglass since April 2011, a director of CNBM Investment since August 2008. He served as an executive Director of the Company from January 2006 to November 2011 and a director of China United from April 2005 to December 2011. He has been the vice president of the Company since March 2005 and served as the chief engineer of Parent from December 2003 to March 2005, the chairman of BNBM from April 2002 to February 2004, and the general manager of BNBM from May 1997 to April 2002. From January 1996 to December 2003, Mr. Li served successively as the executive vice general manager, vice chairman and the general manager of BNBMG. He also served as the deputy head of BNBMG (prior to its conversion from Beijing New Building Materials Factory) from September 1985 to January 1996. Mr. Li received a bachelor's degree in electro-mechanical engineering management from Shanghai Tongji University in August 1978 and a master's degree in engineering management from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1995. He is a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. Mr. Li currently serves as the president of China Insulation and Energy Efficiency Materials Association (中國絕熱節能材料協會).

Zhang Dingjin, born in November 1957, is a vice president of the Company. Mr. Zhang has over 25 years of experience in business and management in the building materials industry. He has served as the vice president of the Company since March 2005, the chairman of China Composites since September 2004 and the general manager of China Composites since January 2003. He also served as the general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from March 2002 to January 2003, the deputy general manager of China Inorganic Materials Science and Technology Enterprise (Group) Company from January 2001 to March 2002 and the general manager of Beijing Pennvasia Glass Company Limited from August 1999 to September 2001. From February 1997 to August 1999, Mr. Zhang served as the deputy dean of Shandong Industrial Ceramics Research and Design Institute. Mr. Zhang received a bachelor's degree in engineering from Anshan Institute of Iron and Steel in August 1982 and an EMBA degree from Xiamen University in June 2005. He is qualified as a professor-grade senior engineer and was awarded a special grant of the government approved by the State Council. Mr. Li is the vice president of China Composites Industry Association (中國複合材料工業協會).

SENIOR MANAGEMENT *(CONTINUED)*

Chen Xuean, born in April 1964, is a vice president and chief financial officer of the Company. Mr. Chen has over 20 years' experience in financial management. Mr. Chen has served as a director of China Composites since December 2011, the vice president of the Company since November 2011, a director of CNBM Investment since August 2008, a director of South Cement since September 2007, a director of China United since October 2006, a supervisor of China Fiberglass since July 2005 and the chief financial officer of the Company since March 2005. From April 1995 to March 2005, Mr. Chen served as the deputy head of finance department of general office of SASAC, the deputy head of Assets Inspection and Verification Department, the head of the Monitoring Department and the head of the Central Department of Statistics and Evaluation Division of the Ministry of Finance. Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1986 and a master's degree in management from Beijing Institute of Technology in November 1999. He is a senior accountant and was awarded the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

Yao Jixin, born in May 1955, is a vice president of the Company. Mr. Yao has over 25 years of experience in operation and management in the cement industry. He has been a vice president of the Company since August 2009, the vice chairman of South Cement since June 2009 and the secretary to the Party Committee of South Cement since April 2009. He served as the president of South Cement from September 2008 to June 2009 and the general manager of Zhejiang Sanshi Group Company Limited from March 1999 to August 2009. Mr. Yao has served as secretary of the Party Committee of Sanshi Group Company Limited since March 1999 and the chairman of Sanshi Group Company Limited since March 1998. He served as the chairman of Zhejiang Sanshi Cement Company Limited（浙江三獅水泥股份有限公司）from September 1997 to July 2011, a Party Committee member, vice chairman and general manager of Zhejiang Sanshi Cement Company Limited（浙江三獅水泥股份有限公司）from August 1994 to September 1997, an executive deputy manager of Zhejiang Cement Plant from July 1990 to August 1994 and a Party Committee member and deputy manager of Jiangshan Cement Plant（江山水泥廠）from November 1984 to July 1990. Mr. Yao is a senior economist who received an MBA degree from Macau University of Science and Technology in October 2005 and a doctor's degree in management from Macau University of Science and Technology in October 2010. Mr. Yao is the vice president of China Building Material Federation and the vice president of China Cement Association. Mr. Yao has won many awards, including National Outstanding Young Entrepreneur, Outstanding Business Management Worker in the national building materials industry, National May Day Labor Medalist, National Excellent Entrepreneur, Top Ten Outstanding Figures in China's Cement Industry during the 15th Five-Year Plan Period as well as the first prize of National Corporate Management Modernization and Innovation Achievement (全國企業管理現代化創新成果).

SENIOR MANAGEMENT *(CONTINUED)*

Xiao Jiaxiang, born in September 1963, is a vice president of the Company. Mr. Xiao has rich experience and achievements in business management, regional economic and social development, group management (especially in group strategy management and group control), as well as financing and cooperation in international capital market. He has served as the president of South Cement since June 2009, a vice president of the Company and a director of South Cement since February 2009. From February 2006 to February 2008, he served as the president of Tianrui Corporation, and concurrent chairman and general manager of Tianrui Group Cement Co., Ltd. From March 2004 to December 2005, he served as a secretary of Party Committee in Daye City, Hubei Province and a director of the Standing Committee of People's Congress of Daye City. From November 2001 to March 2004, he served as deputy party secretary and mayor of Daye City, Hubei Province. From April 1997 to November 2001, he served as the director, the general manager assistant, the vice general manager and Standing Party Committee member in Huaxin Cement (Group) Co., Ltd.. From July 1991 to April 1997, he served as the head in the lime mine of Hubei Huaxin Cement (Group) Co., Ltd.. From July 1982 to July 1991, Mr. Xiao served as an engineer, the head of the mine workshop of Guizhou Shuicheng Cement Plant. Mr. Xiao received a bachelor's degree in mining engineering of the non-metallic department from Wuhan Institute of Building Materials Industry (now Wuhan University of Technology)in August 1982, an MBA degree from Wuhan Poly-technic University (now Wuhan University of Technology) in July 1997 and a doctor's degree in management from Huazhong University of Science and Technology in July 2004. He is a professor-grade senior engineer. Mr. Xiao currently serves as the vice chairman of China Cement Association. He was honoured as a National Outstanding Scientific Worker and the National Advanced Individual in Quality Management, and was granted awards including National Frontier Excellence Awards (全國邊陲優秀兒女獎章) and the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果).

Wang Bing, born in February 1972, is a vice president of the Company. Mr. Wang has accumulated over 15 years of experience in business and management in building materials industry. He has been a vice president of the Company and the chairman of BNBM since August 2009. From February 2004 to August 2009, he served as the general manager of BNBM. Mr. Wang served as a general manager assistant and the deputy general manager of China Chemical Building Material Company Limited (中國化學建材股份有限公司，currently known as (China Fiberglass) from October 2002 to February 2004, the general manager of Chengdu Southwest Beijing New Building Material Company Limited(成都西南北新建材有限公司)from July 1998 to September 2002, and the regional manager of BNBMG from July 1994 to July 1998. Mr. Wang received a bachelor's degree in industry and electricity automation from the Automation Department of Wuhan Poly-technic University (now Wuhan University of Technology) in July 1994 and received an MBA degree from China Europe International Business School in September 2005. Mr. Wang is currently studying for a doctor's degree in Wuhan University of Technology. Currently, he is a member of China Youth Federation, a member of the standing committee and the vice secretary of State-owned Enterprise Youth Federation (中央企業青聯), a vice chairman and deputy director of the China Capital Entrepreneurs' Club (企業家俱樂部), an executive director of China Building Materials Federation, the director of New Building Material Expert Committee under China Building Materials Industry Economic Research Association(中國建材工業經濟研究會新型建材專家委員會), a vice chairman of China Heat-proof and Energy-saving Materials Association(中國絕熱節能材料協會), a vice chairman of Beijing Entrepreneurs Enterprise Confederation (北京企業聯合會北京市企業家協會) and a vice chairman of China Decoration Material Association(中國裝飾裝修材料協會). Mr. Wang was granted many awards, including the Fourth Session of National Building Material Industry Outstanding Entrepreneur(第四屆全國建材行業優秀企業家), the National Construction and Decoration Industry Outstanding Entrepreneur(全國建築裝飾行業優秀企業家) and Beijing Outstanding Entrepreneur (北京市優秀企業家).

SENIOR MANAGEMENT *(CONTINUED)*

Cai Guobin, born in August 1967, is a vice president of the Company. Mr. Cai has over 20 years experience in building materials industry. Mr. Cai has been the vice chairman of China Fiberglass since October 2009, a vice president of the Company since August 2009 and a director of South Cement since September 2007. From May 2006 to October 2009, he served as the director and vice general manager of China Fiberglass. He has been a director and the president of CNBM Investment since April 2004. From July 2005 to May 2006, he served as a supervisor of China Fiberglass. From January 2001 to April 2004, he served as a director and vice president of BND. From November 1999 to January 2001, he served as a general manager assistant of CNBM Trading Zhujiang Branch. From June 1998 to November 1999, he served as a deputy manager in the planning and financial department of CNBM Trading Zhujiang Branch. Mr. Cai is an accountant who received a bachelor's degree in economics (normal major) from Shanghai University of Finance and Economics in July 1990 and an EMBA degree from Tsinghua University in January 2012. He was honoured as Outstanding Party Member of Shenzhen, Outstanding Entrepreneur of Building Materials Industry（建材行業優秀企業家）, the first prize of National Corporate Management Modernization and Innovation Achievements (全國企業管理現代化創新成果) and listed in Elites' Register of Building Materials Industry in 2008（建材行業精英錄）.

QUALIFIED ACCOUNTANT

Pei Hongyan, born in December 1973, is the qualified accountant of the Company. She has over 10 years of experience in accounting. Ms. Pei has been a director of China Fiberglass since April 2011, a supervisor of North Cement since August 2010, a qualified accountant of the Company since June 2005 and the general manager of the finance department of the Company since April 2005. She served as a senior accountant in the finance division of Parent from November 2003 to April 2005 and a general manager assistant of the finance division of Parent from November 2002 to April 2005. She also served as a director of Kunming Cement Inc. from March 2002 to December 2004 and the chief financial officer of China Composites from May 2001 to October 2004. Ms. Pei received a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1996 and a master's degree in management from Dongbei University of Finance and Economics in March 1999. She is a fellow member of the Association of Chartered Certified Accountants and also a non-practising member of the Chinese Institute of Certified Public Accountants. She was awarded the first prize of National Corporate Management Modernization and Innovation Achievements in National Building Materials Industry (全國建材行業企業管理現代化創新成果).

JOINT COMPANY SECRETARIES

Chang Zhangli is the joint company secretary of the Company. Please refer to the section headed "Executive Directors" for the biographical details.

Lo Yee Har Susan, born in November 1958, is the joint company secretary of the Company. Ms. Lo is an executive director of Corporate Services Department of Tricor Services Limited and a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Lo has over 20 years of experience in the company secretarial area. She has served in a number of companies listed on the Stock Exchange. She is currently the joint company secretary of several companies listed on the Stock Exchange.

CONFIRMATION OF THE INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road
North Point, Hong Kong
香港北角英皇道625號2樓

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

We have audited the consolidated financial statements of China National Building Material Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 215, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

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

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

OPINION

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

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate number P01183

Hong Kong, 28 March 2012

Consolidated Income Statement

For The Year Ended 31 December 2011

	Note	**2011** **RMB'000**	2010 RMB'000
Revenue	5	**80,058,470**	51,987,763
Cost of sales		**(58,741,878)**	(40,778,919)
Gross profit		**21,316,592**	11,208,844
Selling and distribution costs		**(2,212,707)**	(1,810,719)
Administrative expenses		**(4,384,247)**	(2,863,083)
Investment and other income	7	**2,993,345**	2,158,284
Other expenses		**(225,565)**	(208,532)
Finance costs — net	8	**(3,859,060)**	(2,578,960)
Share of profit of associates	20	**686,149**	198,183
Profit before income tax	10	**14,314,507**	6,104,017
Income tax expense	11	**(3,568,768)**	(1,360,977)
Profit for the year		**10,745,739**	4,743,040
Profit attributable to:			
Owners of the Company		**8,015,074**	3,369,433
Non-controlling interests		**2,730,665**	1,373,607
		10,745,739	4,743,040
Earnings per share — basic and diluted *(RMB)* (Restated)	13	**1.48**	0.66

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

Dividends			
— paid	12	**502,109**	173,685
— proposed	12	**1,160,791**	502,109

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year	**10,745,739**	4,743,040
Other comprehensive income/(expense):		
— Currency translation differences	**28,848**	(1,455)
— Changes in fair value of available-for-sale financial assets	**11,435**	—
— Shares of associates' other comprehensive expense *(Note 20)*	**(29,451)**	—
Total comprehensive income for the year	**10,756,571**	4,741,585
Total comprehensive income attributable to:		
Owners of the Company	**8,026,774**	3,367,978
Non-controlling interests	**2,729,797**	1,373,607
Total comprehensive income for the year	**10,756,571**	4,741,585

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

Consolidated Statement Of Financial Position

As At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**71,161,140**	51,721,651
Prepaid lease payments	15	**7,898,822**	6,208,991
Investment properties	16	**282,461**	285,575
Goodwill	17	**14,901,036**	9,034,431
Intangible assets	18	**2,147,433**	1,480,261
Investments in associates	20	**4,787,838**	3,152,043
Investments	21	**503,062**	148,911
Deposits	22	**6,914,437**	2,794,729
Deferred income tax assets	32	**906,210**	753,946
		109,502,439	75,580,538
Current assets			
Inventories	23	**9,677,220**	7,209,560
Trade and other receivables	24	**22,924,382**	17,111,259
Investments	21	**299,402**	446,626
Amounts due from related parties	25	**2,988,867**	1,811,141
Pledged bank deposits	27	**3,264,655**	1,267,802
Cash and cash equivalents	27	**9,738,253**	7,971,737
		48,892,779	35,818,125
Assets classified as held for sale	28	**—**	117,687
		48,892,779	35,935,812
Current liabilities			
Trade and other payables	29	**25,800,429**	18,707,107
Amounts due to related parties	25	**1,286,664**	563,294
Borrowings	31	**53,117,981**	28,187,970
Derivative financial instruments	30	**464**	1,111
Obligations under finance leases	33	**873,537**	572,426
Current income tax liabilities		**2,108,342**	1,248,421
Financial guarantee contracts due within one year	34	**158**	3,588
Dividend payable to non-controlling interests		**163,112**	185,416
		83,350,687	49,469,333
Net current liabilities		**(34,457,908)**	(13,533,521)
Total assets less current liabilities		**75,044,531**	62,047,017

	Note	**2011** **RMB'000**	2010 RMB'000
Non-current liabilities			
Borrowings	31	**32,748,245**	30,930,495
Deferred income		**1,098,749**	320,912
Obligations under finance leases	33	**2,096,773**	1,803,705
Financial guarantee contracts due after one year	34	**64,000**	9,710
Deferred income tax liabilities	32	**1,425,602**	1,083,809
		37,433,369	34,148,631
Net assets		**37,611,162**	27,898,386
Capital and reserves			
Share capital	35	**5,399,026**	2,699,513
Reserves		**20,932,742**	16,462,967
Equity attributable to			
Owners of the Company		**26,331,768**	19,162,480
Non-controlling interests		**11,279,394**	8,735,906
Total equity		**37,611,162**	27,898,386

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

The consolidated financial statements on pages 86 to 215 were approved by the Board of Directors on 28 March 2012 and were signed on its behalf.

Song Zhiping
Director

Cao Jianglin
Director

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36 (a))*	Fair value reserve *(Note 36 (b))*	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	2,481,215	4,817,043	517,939	379,878	—	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428
Profit for the year	—	—	—	—	—	—	3,369,433	3,369,433	1,373,607	4,743,040
Other comprehensive expense										
— Currency translation differences	—	—	—	—	—	(1,455)	—	(1,455)	—	(1,455)
Total comprehensive (expense)/ income for the year	—	—	—	—	—	(1,455)	3,369,433	3,367,978	1,373,607	4,741,585
Issue of share	218,298	2,706,951	—	—	—	—	—	2,925,249	—	2,925,249
Dividends *(Note 12)*	—	—	—	—	—	—	(173,685)	(173,685)	—	(173,685)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	(383,392)	(383,392)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note (37(a))*	—	—	—	—	—	—	—	—	813,118	813,118
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	2,703,457	2,703,457
Acquisition of non-controlling interests *(Note 38)*	—	—	(35,389)	—	—	—	—	(35,389)	(235,108)	(270,497)
Increase in non-controlling interests as a result of decrease in interests in subsidiaries	—	—	183,560	—	—	—	—	183,560	(156,437)	27,123
Appropriation to statutory reserve	—	—	—	278,199	—	—	(278,199)	—	—	—
Balance at 31 December 2010	2,699,513	7,523,994	666,110	658,077	—	(3,467)	7,618,253	19,162,480	8,735,906	27,898,386

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36 (a))*	Fair value reserve *(Note 36 (b))*	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	2,699,513	7,523,994	666,110	658,077	—	(3,467)	7,618,253	19,162,480	8,735,906	27,898,386
Profit for the year	—	—	—	—	—	—	8,015,074	8,015,074	2,730,665	10,745,739
Other comprehensive income/(expense)										
— Currency translation differences	—	—	—	—	—	29,716	—	29,716	(868)	28,848
— Changes in fair value of available-for-sale financial assets, net	—	—	—	—	11,435	—	—	11,435	—	11,435
— Shares of associates' other comprehensive expense *(Note 20)*	—	—	(29,451)	—	—	—	—	(29,451)	—	(29,451)
Total comprehensive (expense)/income for the year	—	—	(29,451)	—	11,435	29,716	8,015,074	8,026,774	2,729,797	10,756,571
Issue of share	2,699,513	(2,699,513)	—	—	—	—	—	—	—	—
Dividends *(Note 12)*	—	—	—	—	—	—	(502,109)	(502,109)	—	(502,109)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	(729,722)	(729,722)
Increase in non-controlling interests as a result of acquisition of subsidiaries *(Note (37(a))*	—	—	—	—	—	—	—	—	252,711	252,711
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	1,137,580	1,137,580
Deregistration of subsidiary	—	—	—	—	—	—	—	—	(7,690)	(7,690)
Acquisition of non-controlling interests *(Note 38)*	—	—	(392,478)	—	—	—	—	(392,478)	(648,961)	(1,041,439)
Disposal of subsidiaries *(Note 37(b))*	—	—	37,101	—	—	—	—	37,101	(190,227)	(153,126)
Appropriation to statutory reserve	—	—	—	267,046	—	—	(267,046)	—	—	—
Balance at 31 December 2011	5,399,026	4,824,481	281,282	925,123	11,435	26,249	14,864,172	26,331,768	11,279,394	37,611,162

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

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2011

	2011 **RMB'000**	2010 RMB'000
Operating activities		
Profit before income tax	**14,314,507**	6,104,017
Adjustments for:		
Share of profit of associates	**(686,149)**	(198,183)
Finance costs	**4,128,664**	2,693,963
Interest income	**(269,604)**	(115,003)
Dividend from available-for-sale financial assets	**(7,116)**	(5,081)
Gain on disposal of associates	**(28,704)**	—
Impairment loss on property, plant and equipment	**100,898**	154,637
Impairment loss on prepaid lease payments	**148**	—
Loss/(gain) on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**4,269**	(35,951)
Decrease/(increase) in fair value of held-for-trading investments	**96,288**	(77,984)
Deferred income released to the consolidated income statement	**(75,163)**	(50,885)
Depreciation of property, plant and equipment and investment properties	**2,604,818**	1,940,290
Amortisation of intangible assets	**148,145**	85,804
Financial guarantee income	**(3,430)**	(1,482)
Prepaid lease payments released to the consolidated income statement	**163,589**	119,898
Waiver of payables	**(36,964)**	(80,755)
Allowance for bad and doubtful debts	**169,170**	149,079
(Reversal of provision)/write-down of inventories	**(6,388)**	2,910
Fair value loss on derivative financial instruments	**464**	1,111
Staff costs arising from share appreciation rights	**2,486**	2,877
Impairment loss on available-for-sales financial assets	**10,120**	600
Discount on acquisition of interests in subsidiaries	**(49,850)**	(52,032)
Net foreign exchange losses	**15,203**	101,869
Impairment loss on goodwill on subsidiaries	**49,453**	—
Gain on disposal of subsidiaries	**(100,825)**	(10,740)
Operating cash flows before working capital changes	**20,544,029**	10,728,959
Increase in inventories	**(2,636,410)**	(1,664,910)
Increase in trade and other receivables	**(1,144,680)**	(5,555,617)
Decreases/(increase) in held-for-trading investments	**50,936**	(54,674)
Increase in amounts due from related parties	**(480,259)**	(294,396)
(Decrease)/increase in trade and other payables	**(2,894,660)**	3,854,761
Increase /(decrease) in amounts due to related parties	**275,028**	(406,898)
Increase in deferred income	**853,000**	226,266
Cash generated from operations	**14,566,984**	6,833,491

	2011	2010
	RMB'000	*RMB'000*
Cash generated from operations	**14,566,984**	6,833,491
Income tax paid	**(2,737,816)**	(927,386)
Interest received	**224,421**	126,203
Net cash generated from operating activities	**12,053,589**	6,032,308
Investing activities		
Purchases of available-for-sale financial assets	**(80,289)**	—
Purchases of held-for-trading investments	**—**	(54,945)
Purchase of property, plant and equipment	**(12,287,551)**	(9,719,973)
Purchase of investment properties	**(566)**	—
Purchase of intangible assets	**(285,722)**	(327,278)
Proceeds on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**68,850**	83,559
Acquisition of interests in associates	**(1,134,772)**	(284,751)
Dividend received from associates	**35,886**	18,275
Proceeds from disposal of subsidiaries	**157,907**	6,190
Proceeds from disposal of associates	**33,908**	—
Dividend received from available-for-sale financial assets	**7,116**	5,081
Deposits paid	**(5,053,354)**	(2,794,729)
Deposits refunded	**2,794,729**	3,075,778
Payments for prepaid lease payments	**(783,791)**	(873,247)
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	**(5,071,116)**	(1,279,820)
Advances to related parties	**(630,502)**	(365,321)
Advances from immediate holding company	**181,258**	—
Decrease in other payments for investing activities	**(816,157)**	(4,781,004)
Proceeds from repayment of loans receivable	**42,611**	420,310
Proceeds on disposal of available-for-sale financial assets	**—**	121
New loans receivable raised	**(49,893)**	(42,611)
Increase in pledged bank deposits	**(1,974,433)**	(288,494)
Net cash used in investing activities	**(24,845,881)**	(17,202,859)

Consolidated Statement Of Cash Flows *(Continued)*

For The Year Ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Financing activities		
Interest paid	**(4,175,635)**	(2,934,586)
Issuance of shares	**—**	2,993,627
Issuance of share expenses	**—**	(68,378)
Dividend paid to shareholders	**(502,109)**	(173,685)
Dividend paid to non-controlling interests of subsidiaries	**(1,042,734)**	(168,284)
Payments for acquisition of additional interests in subsidiaries	**(597,774)**	(270,939)
Contributions from non-controlling interests	**1,138,508**	2,567,512
Repayment of borrowings	**(39,438,657)**	(40,252,199)
Decrease in other payments for financing activities	**(3,724,073)**	(1,042,964)
New borrowings raised	**62,311,577**	54,659,799
Repayment of advances from immediate holding company	**—**	(480,000)
Advances from related parties	**215,464**	—
Repayments to related parties	**—**	(645,213)
New obligations under finance leases	**344,525**	1,115,420
Net cash generated from financing activities	**14,529,092**	15,300,110
Net increase in cash and cash equivalents	**1,736,800**	4,129,559
Exchange gain/(loss) on cash and cash equivalents	**29,716**	(1,455)
Cash and cash equivalents at beginning of the year	**7,971,737**	3,843,633
Cash and cash equivalents at end of the year	**9,738,253**	7,971,737

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

1. GENERAL INFORMATION

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

The registered office of the Company is located at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(Continued)*

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

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

IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Financial Instruments: Presentation — Classification of Rights Issues
IFRIC 14 — Int 14 Amendments	Prepayments of a Minimum Funding Requirement
IFRIC 19 — Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs	Improvements to IFRSs issued in 2010

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

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

2.1 Basis of preparation *(Continued)*

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

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

a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. See Note 42 for disclosures of transactions among government related entities.

b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 Business Combinations: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from the business combinations whose acquisition dates precede the application of IFRS 3 (revised 2008).

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

2.1 Basis of preparation *(Continued)*

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

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the note to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 Consolidated and Separate Financial Statements: The amendment clarifies that the consequential amendments from IAS 27 (revised 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

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

2.1 Basis of preparation *(Continued)*

2.1.2 New and revised IFRSs issued but not yet effective

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

IFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets[1]
	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory effective date of IFRS 9 and transaction disclosures[6]
IFRS 9	Financial Instruments[6]
IFRS10	Consolidated Financial Statements[4]
IFRS11	Joint Arrangements[4]
IFRS12	Disclosure of Interests in Other Entities[4]
IFRS13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[2]
IAS 19 (Revised in 2011)	Employee Benefits[4]
IAS 27 (Revised in 2011)	Separate Financial Statements[4]
IAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
IAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

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

2.1 Basis of preparation *(Continued)*

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

Further information about those changes that are expected to affect the Group is as follows:

IFRS 7 (Amendments) requires an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt IFRS 7 (Amendments) from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

IFRS 7 (Amendments) issues new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

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

2.1 Basis of preparation *(Continued)*

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

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 "Consolidated and Separate Financial Statements" and SIC — Int 12 "Consolidation — Special Purpose Entities". IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC — Int 12. The application of this new standard is unlikely to have any material financial impact on the Group.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC — Int 13 "Jointly Controlled Entities — Non-Monetary Contributions by Venturers". It describes the accounting for joint arrangements with joint control. It addresses two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard is unlikely to have any material financial impact on the Group.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 "Consolidated and Separate Financial Statements", IAS 31 "Interests in Joint Ventures" and IAS 28 "Interests in Associates". It also introduces a number of new disclosure requirements for these entities. Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

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

2.1 Basis of preparation *(Continued)*

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

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other IFRSs. The Group expects to adopt the standard prospectively from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

IAS 1 (Amendments) change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 12 (Amendments) clarifies the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC — Int 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 (Amendments) from 1 January 2012.

IAS 19 (Revised in 2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (Revised in 2011) from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

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

2.1 Basis of preparation *(Continued)*

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

IAS 32 (Amendments) clarifies the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

IFRIC — Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 "Inventories". To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The interpretation has no financial impact on the Group.

2.2 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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

2.2 Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

2.3 Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate entity is accounted for in the consolidated financial statements under the equity method and are initially recorded at cost, and thereafter is adjusted for, the post acquisition change in the Group's share of the associate entities' net assets and any impairment loss relating to the investment. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate entities' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

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

2.3 Associates *(Continued)*

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

When the Group's share of losses exceeds its interest in the associate entity, the Group's interest is reduced to nil and cognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate entities. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate entity.

Unrealised profits and losses resulting from transactions between the Group and its associate entities are eliminated to the extent of the Group's interest in the associate entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2.4 Goodwill

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

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

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

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

2.5 Segment reporting

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

2.6 Revenue recognition

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

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

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 2.11).

Other service income is recognised when the services are provided.

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

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

2.7 Property, plant and equipment

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

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

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

2.7 Property, plant and equipment *(Continued)*

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

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

2.8 Prepaid lease payments

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

2.9 Investment properties

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

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

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

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

2.10 Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

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

2.10 Leasing *(Continued)*

Leasehold land and building *(Continued)*

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

2.11 Construction contracts

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

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

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

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

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

2.12 Foreign currency translation

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange translation reserve (attributed to non-controlling interests are appropriate).

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

2.13 Government grants

Government grants, which take many forms including VAT refunds, are recognised as income when the conditions for the grants are met and there is a reasonable assurance that the grant will be received. Government grant relating to expense items are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate and reported separately as other income. Where the grant relates to a depreciable asset, it is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.14 Borrowing costs

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

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

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

2.15 Retirement benefits costs

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

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

2.16 Cash-settled share-based payment transactions

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

2.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

2.17 Taxation *(Continued)*

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

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

2.18 Intangible assets

Intangible assets included the acquired patents, trademarks and mining rights.

Patents have finite useful lives and are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

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

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

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

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

2.19 Impairment of tangible and intangible assets excluding goodwill

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

Intangible asset with indefinite useful life is tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

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

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

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

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

2.20 Inventories

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

2.21 Cash and cash equivalents

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

2.22 Financial Instruments

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

2.23 Non-current assets held for sale

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

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

2.24 Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

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

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

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

2.24 Financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

Available-for-sale equity securities are initially recognised at fair value plus transaction costs. At each reporting date, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Impairment of financial assets

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

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

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

2.24 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

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

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

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

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

2.24 Financial assets *(Continued)*

Derecognition of financial assets

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

2.25 Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

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

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

2.25 Financial liabilities and equity instruments *(Continued)*

Financial guarantee contract liabilities

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

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the interest revenue recognition policies above.

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

2.26 Derivative financial instruments

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

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

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

2.27 Provisions

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

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

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

2.28 Dividend distribution

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

2.29 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

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

2.29 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply *(Continued)*:

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.30 Comparatives

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

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

(i) Foreign currency risk

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

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

	Liabilities		Assets	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
United States Dollar ("USD")	**152,108**	692,498	**410,775**	584,761
European Dollar ("EUR")	**38,153**	90,831	**35,076**	99,739
Hong Kong Dollar ("HKD")	**—**	—	**3,229**	9,712
Papua New Guinea Kina ("PGK")	**54,790**	49,393	**106,049**	60,075
Saudi Arabian Riyal ("SAR")	**8,383**	1,447	**8,673**	16,736
Vietnamese Dong ("VND")	**27,428**	—	**28,351**	191,222
Kazakhstan Tenge ("KZT")	**65,949**	39,004	**11,950**	15,402
Australian Dollar ("AUD")	**24,397**	25,139	**18,070**	30,506
Others	**—**	—	**323**	370

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk *(Continued)*

Sensitivity analysis

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

Effect on profit after tax

	2011	2010
	RMB'000	*RMB'000*
USD	**(12,505)**	5,391
EUR	**149**	(446)
HKD	**(156)**	(486)
PGK	**(2,478)**	(535)
SAR	**(14)**	(765)
VND	**(45)**	(9,569)
KZT	**2,610**	1,181
AUD	**306**	(269)
	(12,133)	(5,498)

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

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

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

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

Sensitivity analysis

For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the reporting date, which amounted RMB48,506.95 million (2010: RMB39,350.78 million), was outstanding for the whole year. A 126 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 126 basis points higher and all other variables were held constant, the Group's net profit for the year ended 31 December 2011 would decrease by RMB458.81 million (2010: RMB385.27 million). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. For a 126 basis points lower, there would be an equal and opposite impact on the profit, and the balances above would be negative.

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk

Equity price risk is the risk that the fair values of available-for-sale and held-for-trading listed equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments in Note 21 as at 31 December 2011. The Group's listed investments are listed on the Shenzhen and Shanghai Stock Exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2011	**High/low 2011**	31 December 2010	High/low 2010
Shenzhen Stock Exchange				
— A Share index	**8,919**	**13,233/8,555**	12,459	13,937/8,945
Shanghai Stock Exchange				
— Composite Index	**2,199**	**3,067/2,134**	2,808	3,282/2,364

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(iii) Equity price risk *(Continued)*

Sensitivity analysis

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

	2011		2010	
	Carrying amount of equity investments	**Increase in profit after tax**	Carrying amount of equity investments	Increase in profit after tax
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Investments listed in:				
Shenzhen and Shanghai Stock Exchange				
— Held-for-trading	**299,402**	**22,476**	446,626	34,704
— Available-for-sale	**237,117**	**17,800**	—	—

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a finance loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amounts of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 39.

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

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

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

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

As at 31 December 2011, the Group has net current liabilities and capital commitments of approximately RMB34,457.91 million (2010: approximately RMB13,533.52 million) and approximately RMB1,759.13 million (2010: approximately RMB3,027.23 million) (Note 40), respectively. The Group is exposed to liquidity risk as a significant percentage of the Group's funding are sourced through short-term bank borrowings. The directors manage liquidity risk by monitoring the utilisation of borrowings, ensuring compliance with loan covenants and issuing new shares, domestic corporate bonds and debentures. In addition, the Group has obtained committed credit facilities from banks. As at 31 December 2011, the Group had unused banking facilities of approximately RMB26,228.63 million (2010 : approximately RMB22,704.97 million).

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011									
Trade and other payables	—	25,800,429	—	—	—	—	—	25,800,429	25,800,429
Amounts due to related parties									
— interest-free	—	1,151,516	—	—	—	—	—	1,151,516	1,151,516
— variable rate	6.56%	21,470	—	—	—	—	—	21,470	20,148
— Fixed rate	6.10%	15,915	—	—	—	—	—	15,915	15,000
Advances from immediate holding company	—	100,000	—	—	—	—	—	100,000	100,000
Borrowings									
— fixed rate bank loans	6.09%	16,151,271	2,221,579	3,166,555	3,400,790	1,463,615	1,150,105	27,553,915	25,877,173
— variable rate bank loans	5.84%	37,603,961	7,419,346	2,670,546	1,790,478	1,524,863	504,309	51,513,503	48,506,953
— other borrowings from non-financial institutions	6.56%	458,315	—	—	—	—	—	458,315	430,100
— bonds	5.78%	2,739,511	525,091	8,477,091	43,200	43,200	1,043,200	12,871,293	11,052,000
Obligations under finance leases	6.27%	1,005,281	972,605	842,626	349,102	117,410	—	3,287,024	2,970,310
Dividend payable to non-controlling interests	—	163,112	—	—	—	—	—	163,112	163,112
Financial guarantee contracts	5.35%	166	—	—	—	67,424	—	67,590	64,158
		85,210,947	11,138,621	15,156,818	5,583,570	3,216,512	2,697,614	123,004,082	116,150,899

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	Effective interest rate	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2010									
Trade and other payables	—	18,703,860	2,736	296	215	—	—	18,707,107	18,707,107
Amounts due to related parties									
— interest-free	—	350,850	—	—	—	—	—	350,850	350,850
— variable rate	5.35%	6,319	—	—	—	—	—	6,319	6,000
— fixed rate	5.31%	107,323	—	—	—	—	—	107,323	106,444
Advances from immediate holding company	—	100,000	—	—	—	—	—	100,000	100,000
Borrowings									
— fixed rate bank loans	5.36%	13,736,781	2,551,207	862,481	512,374	763,063	1,325,124	19,751,030	18,738,567
— variable rate bank loans	5.41%	15,969,454	11,556,411	7,229,923	1,570,402	3,798,988	1,366,073	41,491,251	39,350,780
— other borrowings from non-financial institutions	—	10,000	19,118	—	—	—	—	29,118	29,118
— bonds	4.32%	43,200	43,200	43,200	43,200	43,200	1,098,196	1,314,196	1,000,000
Obligations under finance leases	5.18%	602,100	619,677	652,273	541,879	83,381	—	2,499,310	2,376,131
Dividend payable to non-controlling interests	—	185,416	—	—	—	—	—	185,416	185,416
Financial guarantee contracts	5.35%	3,774	—	—	—	—	10,213	13,987	13,298
		49,819,077	14,792,349	8,788,173	2,668,070	4,688,632	3,799,606	84,555,907	80,963,711

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The contractual expiry periods of financial guarantees are as follows:

	2011		2010	
	RMB'000	**Expiry periods**	*RMB'000*	Expiry periods
Guarantee given to banks in respect of banking facilities utilised by independent third parties	**293,000**	**(2012-2016)**	139,000	(2011-2016)

The maximum amount the Group could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty to the guarantee is RMB293 million (2010: RMB139 million). Based on expectations at the end of the reporting period, the Group considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

3.2 Capital risk

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

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

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

(a) Financial instruments carried at fair value

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

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

The following table presents the Group assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	299,402	—	—	299,402
Available-for-sale financial assets	237,117	—	—	237,117
Total assets	536,519	—	—	536,519
Liabilities				
Derivative financial instruments	—	464	—	464
Total liabilities	—	464	—	464

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation *(Continued)*

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

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

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

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

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

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

(b) Financial instruments carried at other than fair value

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 December 2011, the carrying value of property, plant and equipment is approximately RMB71,161.14 million (2010: approximately RMB51,721.65 million).

Allowance for inventories

During the year, the Group made a reversal of inventory provision of approximately RMB6.39 million (2010: allowance of inventories of approximately RMB2.91 million). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgement and estimates on the conditions and usefulness of the inventories.

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.4. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As at 31 December 2011, the carrying amount of goodwill is approximately RMB14,901.04 million (2010: approximately RMB9,034.43 million). Details of the recoverable amount calculation are disclosed in Note 17.

Allowance for bad and doubtful debts

During the year, the Group provided allowance for bad and doubtful debts of approximately RMB169.17 million (2010: approximately RMB149.08 million) based on an assessment of the present value of the estimated future cash flow from trade and other receivables. Allowance on the estimated future cash flow is applied where events or changes in circumstances indicate that the part of or the whole balances may not be recoverable. The estimation of future cash flow from trade and other receivables requires the use of judgement and estimates.

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

Fair value of derivatives and other financial instruments

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

5. REVENUE

	2011	2010
	RMB'000	*RMB'000*
Sale of goods	**73,888,215**	48,517,762
Provision of engineering services	**6,165,104**	3,462,868
Rendering of other services	**5,151**	7,133
	80,058,470	51,987,763

6. SEGMENTS INFORMATION

(a) Operating segments

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

Principal activities are as follows:

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

Year ended 31 December 2011

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INCOME STATEMENT							
Revenue							
External sales	5,958,144	60,272,340	6,417,201	2,208,220	5,202,565	—	80,058,470
Inter-segment sales *(Note)*	602	30,005	472,419	—	193,627	(696,653)	—
	5,958,746	60,302,345	6,889,620	2,208,220	5,396,192	(696,653)	80,058,470
Adjusted EBITDA	1,139,579	17,789,290	775,408	349,094	176,196	—	20,229,567
Depreciation and amortization, and prepaid lease payments release to consolidated income statement	(201,479)	(2,553,910)	(34,006)	(94,568)	(18,755)	(5,152)	(2,907,870)
Unallocated other income							289,797
Unallocated other expenses							(11,724)
Unallocated administrative expenses							(112,352)
Share of profit/(loss) of associates	4,441	511,014	(175)	181,911	(11,042)	—	686,149
Financial costs-net							(3,859,060)
Profit before income tax							14,314,507
Income tax expense							(3,568,768)
Profit for the year							10,745,739

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2011 *(Continued)*

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

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

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	1,404,499	7,656,036	125,430	279,998	174,049	—	9,640,012
— Prepaid lease payments	37,278	564,312	22,940	129,095	30,166	—	783,791
— Intangible assets	268	278,009	2,412	4,831	202	—	285,722
— Unallocated							1,229,387
	1,442,045	8,498,357	150,782	413,924	204,417		11,938,912
— Acquisition of subsidiaries	—	13,673,886	7,481	—	—	—	13,681,367

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2011 *(Continued)*

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OTHER INFORMATION *(Continued)*							
Depreciation and amortisation							
— Property, plant and equipment	184,514	2,283,774	28,011	83,948	15,889	—	2,596,136
— Intangible assets	1,699	140,990	1,829	3,506	121	—	148,145
— Unallocated							8,682
	186,213	2,424,764	29,840	87,454	16,010		2,752,963
Prepaid lease payments released to the consolidated income statement	15,266	134,299	4,167	7,114	2,743	—	163,589
Allowance/(reversal of provision) for bad and doubtful debts	7,681	75,744	68,912	19,737	(2,904)	—	169,170
Reversal of provision for inventories	(3,358)	—	—	(3,030)	—	—	(6,388)
Statement of Financial Position							
Assets							
Segment assets	7,564,762	115,349,936	5,519,099	5,029,393	3,945,018	—	137,408,208
Investments in associates	193,137	2,904,747	41,617	1,596,035	52,302	—	4,787,838
Unallocated assets							16,199,172
Total consolidated assets							158,395,218
Liabilities							
Segment liabilities	994,978	19,455,604	3,114,021	1,422,934	446,069	—	25,433,606
Unallocated liabilities							95,350,450
Total consolidated liabilities							120,784,056

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2010

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INCOME STATEMENT							
Revenue							
External sales	4,353,898	37,953,075	3,821,382	2,984,152	2,875,256	—	51,987,763
Inter-segment sales *(Note)*	—	—	1,275,098	—	80,258	(1,355,356)	—
	4,353,898	37,953,075	5,096,480	2,984,152	2,955,514	(1,355,356)	51,987,763
Adjusted EBITDA	921,182	8,259,915	516,004	606,447	321,479	—	10,625,027
Depreciation and amortization, and prepaid lease payments release to consolidated income statement	(179,650)	(1,863,107)	(21,210)	(65,275)	(9,819)	575	(2,138,486)
Unallocated other income							97,283
Unallocated other expenses							(775)
Unallocated administrative expenses							(98,255)
Share of profit/(loss) of associates	(3,779)	111,362	4	130,215	(39,619)	—	198,183
Financial costs-net							(2,578,960)
Profit before income tax							6,104,017
Income tax expense							(1,360,977)
Profit for the year							4,743,040

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2010 *(Continued)*

	Lightweight building materials RMB'000	Cement RMB'000	Engineering services RMB'000	Glass fiber and composite materials RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	1,160,859	8,945,772	143,875	353,122	174,544	—	10,778,172
— Prepaid lease payments	225,534	478,056	148,419	5,963	15,275	—	873,247
— Intangible assets	1,676	319,268	5,047	1,287	—	—	327,278
— Unallocated							100
	1,388,069	9,743,096	297,341	360,372	189,819		11,978,797
— Acquisition of subsidiaries	—	7,349,713	18,943	428,811	1,110	—	7,798,577
Depreciation and amortisation							
— Property, plant and equipment	165,121	1,681,983	19,176	62,103	4,976	(575)	1,932,784
— Intangible assets	1,797	81,622	962	1,133	290	—	85,804
— Unallocated							7,506
	166,918	1,763,605	20,138	63,236	5,266		2,026,094
Prepaid lease payments released to the consolidated income statement	12,732	99,502	1,072	2,039	4,553	—	119,898
Allowance/(reversal of provision) for bad and doubtful debts	3,807	120,028	24,311	6,967	(6,034)	—	149,079
Write-down of inventories	299	2,611	—	—	—	—	2,910

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

Year ended 31 December 2010 *(Continued)*

	Lightweight building materials	Cement	Engineering services	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Financial Position							
ASSETS							
Segment assets	6,361,135	78,480,041	4,091,882	4,920,002	1,880,886	—	95,733,946
Investments in associates	189,053	1,491,011	2,192	1,396,292	73,495	—	3,152,043
Unallocated assets							12,630,361
Total consolidated assets							111,516,350
LIABILITIES							
Segment liabilities	1,413,015	12,598,442	2,310,597	1,555,277	432,428	—	18,309,759
Unallocated liabilities							65,308,205
Total consolidated liabilities							83,617,964

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

6. SEGMENTS INFORMATION *(CONTINUED)*

(a) Operating segments *(Continued)*

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

	2011	2010
	RMB'000	*RMB'000*
Adjusted EBITDA for reportable segments	**20,053,371**	10,303,548
Adjusted EBITDA for other segment	**176,196**	321,479
Eliminations	**—**	—
Total segments	**20,229,567**	10,625,027
Depreciation of property, plant and equipment	**(2,596,136)**	(1,932,784)
Amortisation of intangible assets	**(148,145)**	(85,804)
Prepaid lease payments released to the consolidated income statement	**(163,589)**	(119,898)
Corporate items	**165,721**	(1,747)
Operating profit	**17,487,418**	8,484,794
Finance costs — net	**(3,859,060)**	(2,578,960)
Share of profit of associates	**686,149**	198,183
Profit before income tax	**14,314,507**	6,104,017

6. SEGMENTS INFORMATION *(CONTINUED)*

(b) Geographical segments

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

	Revenue from external customers	
	2011	2010
	RMB'000	*RMB'000*
PRC	**78,967,670**	50,580,863
European countries	**107,898**	128,298
Middle East	**473,215**	152,843
Southeast Asia	**66,251**	727,120
Oceania	**388,778**	257,813
Others	**54,658**	140,826
	80,058,470	51,987,763

More than 90% of the Group's operations and assets are located in the PRC for the year ended 31 December 2011 and 2010.

(c) Information of major customers

No single customer amounted for 10% or more of the total revenue for the year ended 31 December 2011 and 2010.

7. INVESTMENT AND OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Dividend from available-for-sale financial assets	**7,116**	5,081
Discount on acquisition of interests in subsidiaries *(Note 37(a))*	**49,850**	52,032
Financial guarantee income *(Note 34)*	**3,430**	1,482
Gain on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**—**	35,951
Government subsidies:		
— VAT refunds *(Note (a))*	**1,515,268**	756,503
— Government grants *(Note (b))*	**1,155,302**	933,638
— Interest subsidy	**24,699**	24,440
(Decrease)/ increase in fair value of held-for-trading investments	**(96,288)**	77,984
Net rental income from:		
— investment properties *(Note 16)*	**33,956**	48,123
— equipment	**22,694**	7,835
Technical and other service income	**1,064**	15,391
Waiver of payables	**36,964**	80,755
Gain on disposal of subsidiaries *(Note 37(b))*	**100,825**	10,740
Gain on disposal of associates	**28,704**	—
Others	**109,761**	108,329
	2,993,345	2,158,284

Notes:

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

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

8. FINANCE COSTS — NET

	2011	2010
	RMB'000	*RMB'000*
Interest expenses on bank borrowings:		
— wholly repayable within five years	**4,366,344**	2,948,272
— not wholly repayable within five years	**60,199**	—
	4,426,543	2,948,272
Less : interest capitalised to construction in progress	**(297,879)**	(254,309)
	4,128,664	2,693,963
Interest income:		
— interest on bank deposits	**(144,865)**	(101,687)
— interest on loans receivable	**(124,739)**	(13,316)
Finance costs — net	**3,859,060**	2,578,960

Borrowing costs capitalised for the year ended 31 December 2011 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.25% (2010: 5.31%) per annum to expenditure on the qualifying assets.

9. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

Year ended 31 December 2011

	Fees	Salaries, allowance and benefits-in-kinds	Discretionary bonuses	Retirement plan contributions	Share appreciation rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Mr. Song Zhiping	—	—	—	—	—	—
Mr. Cao Jianglin	—	329	578	30	—	937
Mr. Chang Zhangli	—	394	300	30	201	925
Mr. Peng Shou	—	403	540	16	201	1,160
Mr. Cui Xingtai	—	420	540	30	201	1,191
Non-executive directors						
Mr. Guo Chaomin	—	25	—	—	—	25
Mr. Huang Anzhong	—	125	—	—	—	125
Ms. Cui Lijun	—	161	—	—	—	161
Independent non-executive directors						
Mr. Qiao Longde	—	50	—	—	—	50
Mr. Li Decheng	—	250	—	—	—	250
Mr. Ma Zhongzhi	—	150	—	—	—	150
Mr. Shin Fang	—	50	—	—	—	50
Mr. Wu Liansheng	—	50	—	—	—	50
Supervisors						
Mr. Wu Jiwei	—	17	—	—	—	17
Ms. Zhou Guoping	—	67	—	—	—	67
Independent supervisors						
Mr. Tang Yunwei	—	33	—	—	—	33
Mr. Zhao Lihua	—	33	—	—	—	33
Ms. Cui Shuhong	—	156	102	30	78	366
Mr. Liu Zhiping	—	154	102	30	78	364
	—	2,867	2,162	166	759	5,954

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

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

Year ended 31 December 2010

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, no (2010: three) directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining five (2010: two) individuals were as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,388**	832
Share appreciation rights	**201**	201
Discretionary bonuses	**7,093**	2,110
Retirement plan contributions	**104**	57
	8,786	3,200

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

	Number of the five highest paid individuals	
	2011	2010
Nil-HKD1,000,000 (equivalent to RMB810,700)	**—**	—
HKD1,000,001-HKD1,500,000 (equivalent to RMB1,216,050)	**—**	1
HKD1,500,001-HKD2,000,000 (equivalent to RMB1,621,400)	**4**	1
HKD2,000,001-HKD2,500,000 (equivalent to RMB2,026,750)	**1**	—

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

10. PROFIT BEFORE INCOME TAX

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

	2011	2010
	RMB'000	*RMB'000*
Depreciation of:		
— property, plant and equipment	**2,596,990**	1,932,910
— investment properties	**7,828**	7,380
	2,604,818	1,940,290
Amortisation of intangible assets	**148,145**	85,804
Total depreciation and amortisation	**2,752,963**	2,026,094
Impairment loss on available-for-sale financial assets	**10,120**	600
Impairment loss on goodwill of subsidiaries	**49,453**	—
Impairment loss on prepaid lease payment	**148**	—
Impairment loss on property, plant and equipment	**100,898**	154,637
Cost of inventories recognised as expenses	**46,323,536**	35,726,907
Prepaid lease payments released to the consolidated income statement	**163,589**	119,898
Auditor's remuneration	**11,244**	8,196
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**3,824,741**	2,602,589
— Share appreciation rights	**2,486**	2,877
— Retirement plan contributions	**358,066**	232,955
Total staff costs	**4,185,293**	2,838,421
Allowance for bad and doubtful debts	**169,170**	149,079
(Reversal of provision)/write-down of inventories	**(6,388)**	2,910
Operating lease rentals	**42,573**	32,319
Loss/(gain) on disposal of property, plant and equipment, investment properties, intangible assets and prepaid lease payments	**4,269**	(35,951)
Net foreign exchange losses	**15,203**	101,869

11. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current income tax	**3,578,806**	1,520,891
Deferred income tax *(Note 32)*	**(10,038)**	(159,914)
	3,568,768	1,360,977

PRC income tax is calculated at 25% (2010: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC for both years, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

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

	2011 RMB'000	2010 RMB'000
Profit before income tax	**14,314,507**	6,104,017
Tax at domestic income tax rate of 25% (2010: 25%)	**3,578,627**	1,526,004
Tax effect of:		
Share of profit of associates	**(171,537)**	(49,546)
Expenses not deductible for tax purposes	**454,600**	76,643
Income not taxable for tax purposes	**(168,788)**	(138,654)
Tax effect of tax losses not recognised	**319,639**	313,530
Utilisation of previously unrecognised tax losses	**(355,651)**	(107,595)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note (a))*	**(24,645)**	(37,461)
Effect of different tax rates of subsidiaries	**(63,477)**	(221,944)
Income tax expense	**3,568,768**	1,360,977

Note:

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

11. INCOME TAX EXPENSE *(CONTINUED)*

Tax effects relating to each component of other comprehensive income:

	2011			2010		
	Before taxation	**Taxation charged** *(Note 32)*	**Net of taxation**	Before taxation	Taxation charged	Net of taxation
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Currency translation differences	**28,848**	**—**	**28,848**	(1,455)	—	(1,455)
Changes in fair value of available-for-sale financial assets	**15,246**	**(3,811)**	**11,435**	—	—	—
Shares of associates' other comprehensive expense	**(29,451)**	**—**	**(29,451)**	—	—	—
Other comprehensive income/(expense)	**14,643**	**(3,811)**	**10,832**	(1,455)	—	(1,455)

12. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Dividends paid	**502,109**	173,685
Proposed final dividend — RMB0.215 (2010 : RMB0.186) per share	**1,160,791**	502,109

The 2010 annual general meeting held on 3 June 2011 approved the bonus issue of 10 shares for every 10 shares held by shareholders as at 3 June 2011. As a result, the issued share capital of the Company increased form RMB2,699,513,131 to RMB5,399,026,262, through capitalisation of share premium of RMB2,699,513,131.

The final dividend of RMB0.215 per share has been proposed by the board of directors.

The above proposed 2011 dividends are subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE — BASIC AND DILUTED

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

	2011	2010
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**8,015,074**	3,369,433

	2011	2010
	'000	*'000*
		(Restated)
Issued ordinary shares at 1 January	**2,699,513**	2,481,215
Issued new ordinary shares during the year	**—**	218,298
	2,699,513	2,699,513
Weighted average number of ordinary shares in issue	**2,699,513**	2,541,621
Effect of capitalisation of bonus share issue	**2,699,513**	2,541,621
Weighted average number of ordinary shares in issue after restatement for capitalisation of bonus share issue in 2011	**5,399,026**	5,083,242

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

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST					
As at 1 January 2010	5,463,470	14,315,535	19,844,233	487,831	40,111,069
Additions	6,904,523	2,129,926	1,349,105	394,718	10,778,272
Acquisition of subsidiaries *(Note 37(a))*	1,688,998	2,396,746	2,542,350	49,570	6,677,664
Transfer from construction in progress	(8,720,927)	3,388,810	5,321,726	10,391	—
Transfer to construction in progress for reconstruction	154,032	(1,476)	(313,926)	—	(161,370)
Transfer to assets classified as held for sale *(Note 28)*	—	(106,098)	(128,015)	—	(234,113)
Disposals	(100,293)	(193,853)	(108,818)	(26,734)	(429,698)
Disposal of subsidiaries *(Note 37(b))*	—	(661)	(377)	(36)	(1,074)
Transfer from investment properties *(Note 16)*	—	8,197	—	—	8,197
Transfer to investment properties *(Note 16)*	—	(15,036)	—	—	(15,036)
As at 31 December 2010 and 1 January 2011	5,389,803	21,922,090	28,506,278	915,740	56,733,911
Additions	8,883,612	901,169	897,346	186,706	10,868,833
Acquisition of subsidiaries *(Note 37(a))*	1,447,993	5,843,481	4,459,506	173,263	11,924,243
Transfer from construction in progress	(8,377,869)	3,379,223	4,987,460	11,186	—
Transfer to construction in progress for reconstruction	20,954	(10,833)	(19,570)	—	(9,449)
Disposals	(32,359)	(350,319)	(421,896)	(33,436)	(838,010)
Disposal of subsidiaries *(Note 37(b))*	(54,886)	(244,524)	(207,366)	(6,959)	(513,735)
As at 31 December 2011	7,277,248	31,440,287	38,201,758	1,246,500	78,165,793

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

	Construction in progress	Land and buildings	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION AND IMPAIRMENT					
As at 1 January 2010	(110,137)	994,955	2,507,745	128,894	3,521,457
Charge for the year	—	453,373	1,416,854	62,683	1,932,910
Transfer to construction in progress for reconstruction	—	(89)	(161,281)	—	(161,370)
Transfer to assets classified as held for sale *(Note 28)*	—	(57,209)	(89,222)	—	(146,431)
Disposals	—	(4,410)	(268,410)	(16,399)	(289,219)
Disposal of subsidiaries *(Note 37(b))*	—	(6)	(182)	(2)	(190)
Transfer from investment properties *(Note 16)*	—	2,409	—	—	2,409
Transfer to investment properties *(Note 16)*	—	(1,943)	—	—	(1,943)
Impairment loss recognised	135,814	10,861	7,265	697	154,637
As at 31 December 2010 and 1 January 2011	25,677	1,397,941	3,412,769	175,873	5,012,260
Charge for the year	—	656,605	1,857,289	83,096	2,596,990
Transfer to construction in progress for reconstruction	—	(773)	(8,676)	—	(9,449)
Disposals	—	(110,287)	(363,968)	(21,710)	(495,965)
Disposal of subsidiaries *(Note 37(b))*	—	(87,929)	(109,947)	(2,205)	(200,081)
Impairment loss recognised	52,709	1,584	45,246	1,359	100,898
As at 31 December 2011	78,386	1,857,141	4,832,713	236,413	7,004,653
CARRYING VALUES					
As at 31 December 2011	7,198,862	29,583,146	33,369,045	1,010,087	71,161,140
As at 31 December 2010	5,364,126	20,524,149	25,093,509	739,867	51,721,651

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

As at 31 December 2011, the carrying value of plant and machinery includes an amount of approximately RMB4,405.13 million (2010: approximately RMB2,794.53 million) in respect of assets held under finance leases.

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

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

	2011	2010
	RMB'000	*RMB'000*
Land and buildings	**3,301,462**	929,853
Plant and machinery	**1,804,805**	2,070,734
Motor vehicles	**4,272**	77,063
Total	**5,110,539**	3,077,650

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

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

At 31 December 2011, land and buildings with carrying value of approximately RMB3,554.92 million (2010: approximately RMB1,681.10 million) are still in the process of applying the title certificates.

15. PREPAID LEASE PAYMENTS

	2011	2010
	RMB'000	*RMB'000*
CARRYING AMOUNT		
As at 1 January	**6,342,139**	4,799,492
Additions	**783,791**	873,247
Acquisition of subsidiaries *(Note 37(a))*	**1,220,942**	853,821
Released to the consolidated income statement	**(163,589)**	(119,898)
Disposals	**(15,719)**	(34,518)
Disposals of subsidiaries *(Note 37 (b))*	**(74,160)**	—
Transfer to assets classified as held for sales *(Note 28)*	**—**	(30,005)
Impairment loss recognised	**(148)**	—
As at 31 December	**8,093,256**	6,342,139

15. PREPAID LEASE PAYMENTS *(CONTINUED)*

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

	2011	2010
	RMB'000	*RMB'000*
The carrying amount of prepaid lease payments are analysed as follows:		
Non-current portion	**7,898,822**	6,208,991
Current portion included in trade and other receivables *(Note 24)*	**194,434**	133,148
	8,093,256	6,342,139

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

As at 31 December 2011, prepaid lease payments with carrying value of approximately RMB344.84 million (2010: approximately RMB130.52 million) are still in the process of applying the title certificates.

As at 31 December 2011, the Group has pledged prepaid lease payments with a carrying value of approximately RMB573.10 million (2010: approximately RMB407.70 million) to secure bank borrowings granted to the Group.

16. INVESTMENT PROPERTIES

	2011	2010
	RMB'000	*RMB'000*
COST		
As at 1 January	**341,064**	331,390
Additions	**566**	—
Acquisition of subsidiaries *(Note 37(a))*	**4,148**	2,929
Disposals	**—**	(94)
Transfer from property, plant and equipment *(Note 14)*	**—**	15,036
Transfer to property, plant and equipment *(Note 14)*	**—**	(8,197)
As at 31 December	**345,778**	341,064
DEPRECIATION		
As at 1 January	**55,489**	48,575
Charge for the year	**7,828**	7,380
Transfer from property, plant and equipment *(Note 14)*	**—**	1,943
Transfer to property, plant and equipment *(Note 14)*	**—**	(2,409)
As at 31 December	**63,317**	55,489
CARRYING VALUES		
As at 31 December	**282,461**	285,575

The cost of investment properties is depreciated over their estimated useful lives at an estimated rate of 2.38% (2010: 2.38%) per annum.

As at 31 December 2011, the Group has pledged investment properties with carrying value of approximately of RMB216.30 million (2010: approximately RMB227.08 million) to secure bank borrowings granted to the Group.

The fair value of the Group's investment properties as at 31 December 2011 was approximately RMB596.83 million (2010: approximately RMB580.67 million). The fair value has been arrived at on the basis of a valuation carried out at that date by independent local valuers, who are not connected with the Group. The valuation was arrived at by making reference to comparable sales transactions as available in the related market.

The property rental income earned by the Group during the year from its investment properties, all of which are leased out under operating leases, amounted to approximately RMB41.5 million (2010: approximately RMB50.01 million). Direct operating expenses arising on the investment properties amounted to approximately RMB7.54 million (2010: approximately RMB1.89 million).

17. GOODWILL

	2011	2010
	RMB'000	*RMB'000*
As at 1 January	**9,034,431**	7,044,298
Arising from acquisition of subsidiaries *(Note 37(a))*	**6,072,390**	1,990,133
Disposal of subsidiaries *(Note 37(b))*	**(156,332)**	—
Impairment loss for the year	**(49,453)**	—
As at 31 December	**14,901,036**	9,034,431

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

	2011	2010
	RMB'000	*RMB'000*
Lightweight building materials	**87,205**	87,205
Cement	**14,762,309**	8,895,704
Engineering services	**62**	62
Glass fiber and composite materials	**32,690**	32,690
Others	**18,770**	18,770
	14,901,036	9,034,431

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

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

18. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Patents and trademarks *RMB'000*	Total *RMB'000*
COST			
As at 1 January 2010	1,029,695	68,701	1,098,396
Additions	304,060	23,218	327,278
Acquisition of subsidiaries *(Note 37(a))*	262,892	1,271	264,163
Disposals	(141)	(8,716)	(8,857)
As at 31 December 2010 and 1 January 2011	1,596,506	84,474	1,680,980
Additions	244,186	41,536	285,722
Acquisition of subsidiaries *(Note 37(a))*	509,614	22,420	532,034
Disposals	—	(5,923)	(5,923)
Disposal of subsidiaries *(Note 37(b))*	—	(1,552)	(1,552)
As at 31 December 2011	2,350,306	140,955	2,491,261
AMORTISATION AND IMPAIRMENT			
As at 1 January 2010	92,693	22,296	114,989
Charge for the year	73,932	11,872	85,804
Disposals	—	(74)	(74)
As at 31 December 2010 and 1 January 2011	166,625	34,094	200,719
Charge for the year	136,842	11,303	148,145
Disposals	—	(4,781)	(4,781)
Disposal of subsidiaries *(Note 37(b))*	—	(255)	(255)
As at 31 December 2011	303,467	40,361	343,828
CARRYING VALUES			
As at 31 December 2011	2,046,839	100,594	2,147,433
As at 31 December 2010	1,429,881	50,380	1,480,261

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

18. INTANGIBLE ASSETS *(CONTINUED)*

As at 31 December 2011, the Group has pledged mining rights with carrying value of approximately RMB14.99 million (2010: approximately RMB14.29 million) to secure bank borrowings granted to the Group.

The directors of the Company reviewed the carrying amount of intangible assets. No impairment loss was recognised as at 31 December 2011 and 2010 in the consolidated income statement.

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2011 and 31 December 2010, which are established and operated in the PRC, are as follows:

Name of subsidiary	Nominal value of paid-in capital *(Note i)*	Attributable equity interest to the Company				Principal activities
		Direct		Indirect		
		2011 %	2010 %	**2011** %	2010 %	
BNBM *(Note i, ii)*	RMB575,150,000	**52.40**	52.40	**—**	—	Production and sale of lightweight building materials
Taishan Gypsum Company Limited ("Taishan Gypsum") *(Note iii)*	RMB155,625,000	**—**	—	**34.06**	34.06	Production and sale of lightweight building materials
BNBM Suzhou Mineral Fiber Ceiling Company Limited	RMB80,000,000	**—**	—	**52.40**	52.40	Production and sale of lightweight building materials
Heilongjiang Binzhou Cement Company Limited ("Binzhou Cement") *(Note iv)*	RMB50,000,000	**100.00**	—	**—**	—	Production and sale of cement
China United Cement Group Corporation Limited ("China United")	RMB4,000,000,000	**100.00**	100.00	**—**	—	Production and sale of cement
Lunan China United Cement Company Limited	RMB200,000,000	**—**	—	**80.34**	80.34	Production and sale of cement
Huaihai China United Cement Company Limited	RMB364,909,100	**—**	—	**80.88**	80.88	Production and sale of cement
Qingzhou China United Cement Company Limited	RMB200,000,000	**—**	—	**100.00**	100.00	Production and sale of cement
Taishan China United Cement Company Limited	RMB270,000,000	**—**	—	**95.68**	95.68	Production and sale of cement
Qufu China United Cement Company Limited	RMB130,000,000	**—**	—	**90.00**	90.00	Production and sale of cement
Linyi China United Cement Company Limited	RMB165,200,000	**—**	—	**100.00**	100.00	Production and sale of cement
Zaozhuang China United Cement Company Limited	RMB175,000,000	**—**	—	**100.00**	100.00	Production and sale of cement

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Nominal value of paid-in capital *(Note i)*	Attributable equity interest to the Company Direct 2011 %	Direct 2010 %	Indirect 2011 %	Indirect 2010 %	Principal activities
Xuzhou China United Cement Company Limited	RMB346,940,000	**—**	—	**100.00**	100.00	Production and sale of cement
South Cement Company Limited ("South Cement")	RMB10,000,000,000	**80.00**	80.00	**—**	—	Production and sale of cement
Hangzhou South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jinhua South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Huzhou South Cement Company Limited	RMB390,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiaxing South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiangsu South Cement Company Limited	RMB1,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Shanghai South Cement Company Limited	RMB300,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Hunan South Cement Company Limited	RMB3,000,000,000	**—**	—	**80.00**	80.00	Production and sale of cement
Jiangxi South Cement Company Limited ("Jiangxi SC") *(Note v)*	RMB3,000,000,000	**—**	—	**80.00**	64.00	Production and sale of cement
Guangxi South Cement Company Limited ("Guangxi SC") *(Note vi)*	RMB1,000,000,000	**—**	—	**80.00**	—	Production and sale of cement
North Cement Company Limited ("North Cement")	RMB1,000,000,000	**55.00**	55.00	**—**	—	Production and sale of cement
South West Cement Company Limited ("South West Cement") *(Note vii)*	RMB5,000,000,000	**82.60**	—	**—**	—	Production and sale of cement
China Composites Group Corporation Limited ("China Composites")	RMB350,000,000	**100.00**	100.00	**—**	—	Production and sale of composite materials
Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited	RMB261,307,535	**—**	—	**62.96**	62.96	Production and sale of composite materials
Changzhou China Composites Liberty Company Limited	RMB180,000,000	**—**	—	**75.00**	75.00	Production and sale of PVC tiles
China Triumph International Engineering Company Limited ("China Triumph")	RMB220,000,000	**91.00**	91.00	**—**	—	Provision of engineering services
CTIEC Shenzhen Triumph Scienotech Engineering Company Limited	RMB5,000,000	**—**	—	**66.43**	66.43	Provision of engineering services
CTIEC Nanjing Triumph International Engineering Company Limited	RMB100,000,000	**—**	—	**46.55**	46.55	Provision of engineering services
CTIEC BengBu Triumph Scienotech Engineering Company Limited	RMB30,000,000	**—**	—	**91.00**	91.00	Provision of engineering services
CNBM Investment Company Limited	RMB500,000,000	**100.00**	100.00	**—**	—	Sale of lightweight building materials

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Notes:

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

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

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

(iv) On 1 July 2011, the Company acquired 100% equity interests in Binzhou Cement. Details were disclosed in Note 37 (a)(i).

(v) On 1 January 2011, South Cement, subsidiary of the Company further acquired 20% equity interests from non-controlling interests in Jiangxi SC.

(vi) During the year, South Cement, subsidiary of the Company had injected share capital of RMB1,000 million into Guangxi SC as registered capital.

(vii) On 9 December 2011, the Company, Beijing Huachen PuJin Asset Management Centre ("Beijing Huachen PuJin"), Shanghai Zhentong Equity Investment Management Company Limited ("Shanghai Zhentong") and Shenzhen Jingda Equity Investment Management Company Limited ("Shenzhen Jingda") entered into Capital Contribution Agreement for establishment of a new operating vehicle, namely South West Cement, for its strategic cement business expansion in the South West areas of PRC. The expected capital amount of South West Cement is RMB10 billion with an operating period of 50 years. As at end of reporting period, expect for Shenzhen Jingda, the Company, Beijing Huachen PuJin and Shanghai Zhentong had injected RMB4.13 billion, RMB0.50 billion and 0.37 billion into South West Cement as the registered capital respectively.

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

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

20. INVESTMENTS IN ASSOCIATES

	2011	2010
	RMB'000	*RMB'000*
Cost of investments in associates		
— listed in the PRC	**666,838**	293,468
— unlisted	**2,632,258**	1,991,982
Share of post-acquisition profit, net of dividend received	**1,488,742**	866,593
	4,787,838	3,152,043
Fair value of listed investments	**3,599,604**	5,477,642

As at 31 December 2011, the cost of investments in associates included goodwill of associates of approximately RMB1,027.63 million (2010: approximately RMB177.14 million).

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

As at 31 December 2011 and 2010, the Group had interests in the following principal associates established in the PRC:

Name of subsidiary	**Nominal value of registered capital**	**Attributable direct equity interest to the Group** 2011 %	2010 %	**Principal activities**
China Fiberglass *(Note i,iv)*	RMB581,753,000	**32.79**	36.15	Production of glass fiber
Shanghai Yaohua Pilkington Glass Company Limited ("Shanghai Yaopi") *(Note ii)*	RMB731,250,100	**16.26**	16.26	Production of float glass
Jushi Group Company Limited ("Jushi Group") *(Note iii,iv)*	USD256,200,000	**—**	11.50	Production of glass fiber
Nanfang Wannianqing Cement Company Limited	RMB1,000,000,000	**50.00**	50.00	Production of cement
Hubei Daye Jianfeng Cement Company Limited	RMB250,000,000	**24.00**	24.00	Production and sale of cement
Shangdong Donghua Cement Company Limited	RMB350,000,000	**50.00**	50.00	Production and sale of cement
Tongling Shangfeng Cement Company Limited ("Tongling Shangfeng") *(Note v)*	RMB258,980,000	**35.50**	—	Production and sale of cement

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes:

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

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

(iii) As at 31 December 2010, Jushi Group Company Limited was regarded as an associate of the Company as it is the subsidiary of China Fiberglass.

(iv) Pursuant to the Company's announcement date 27 September 2010, the Company, China Fiberglass, Jushi Group and Other Parties entered into the Supplementary Agreement to the Share Issue and Asset Purchase Agreement to subscribe for 154,361,000 A Shares of China Fiberglass, an associate of the Company, and in consideration, the Company and Other Parties will transfer to China Fiberglass their respective 11.5% and 37.5% interests in Jushi, respectively. Upon the completion of the above subscription on 29 July 2011 and the issuance of shares by respective parties on 4 August 2011, the Company's effective interest in China Fiberglass was diluted from 36.15% to 32.79%. Subsequent to the above completion, China Fiberglass held the 100% equity interests in Jushi Group.

(v) On 1 January 2011, South Cement, subsidiaries of the Company acquired 35.5% equity interests in Tongling Shangfeng.

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

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

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

	2011	2010
	RMB'000	*RMB'000*
Revenue	**22,946,742**	16,977,877
Profit for the year	**2,117,941**	954,872
Group's share of associates' profit for the year	**686,149**	198,183
Total assets	**37,167,150**	33,673,665
Total liabilities	**(24,261,930)**	(23,564,118)
Net assets attributable to the owners of the associates	**12,695,188**	7,989,428
Group's share of associates' net assets	**4,165,531**	2,485,454
Group's share of other comprehensive income	**(29,451)**	—

21. INVESTMENTS

	2011 RMB'000	2010 RMB'000
Available-for-sale financial assets		
— Unlisted equity shares, at cost *(Note)*	**265,945**	148,911
— Listed equity shares listed outside Hong Kong	**237,117**	—
	503,062	148,911
Held-for-trading investments at market value:		
— Quoted investment funds listed outside Hong Kong	**8,250**	51
— Quoted listed equity shares listed outside Hong Kong	**291,152**	446,575
	299,402	446,626

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

22. DEPOSITS

	2011 RMB'000	2010 RMB'000
Investment deposits for acquisition of subsidiaries	**3,570,249**	690,510
Deposits paid to acquire property, plant and equipment	**2,831,245**	1,603,029
Deposits paid to acquire intangible assets	**200,657**	33,461
Deposits paid in respect of prepaid lease payments	**312,286**	467,729
	6,914,437	2,794,729

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

23. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**5,727,917**	4,184,950
Work-in-progress	**1,180,749**	998,731
Finished goods	**2,648,438**	1,950,441
Consumables	**120,116**	75,438
	9,677,220	7,209,560

24. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables, net of allowance for bad and doubtful debts *(Note (b))*	**7,701,660**	5,313,426
Bills receivable *(Note (c))*	**5,448,855**	5,018,136
Amounts due from customers for contract work *(Note 26)*	**797,032**	849,813
Loans receivable *(Note (g))*	**49,893**	42,611
Prepaid lease payments *(Note 15)*	**194,434**	133,148
Other receivables, deposits and prepayments	**8,732,508**	5,754,125
	22,924,382	17,111,259

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes:

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

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

	2011	2010
	RMB'000	*RMB'000*
Within two months	**3,893,745**	2,809,890
More than two months but within one year	**2,647,746**	1,741,250
Between one and two years	**848,928**	547,875
Between two and three years	**238,291**	109,995
Over three years	**72,950**	104,416
	7,701,660	5,313,426

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

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB3,807.92 million (2010: approximately RMB2,503.54 million) which are past due at the reporting date for which the Group has not provided impairment loss as there has not been a significant change in credit quality. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2011, the retention receivables of approximately RMB41.50 million (2010: approximately RMB77.31 million) and receivables within contractual payment term of approximately RMB26.44 million (2010: approximately RMB37.00 million) with ageing between one and two years are not past due.

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

	2011	2010
	RMB'000	*RMB'000*
More than two months but within one year	**2,647,746**	1,741,250
Between one and two years	**848,928**	547,875
Between two and three years	**238,291**	109,995
Over three years	**72,950**	104,416
	3,807,915	2,503,536

24. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes: (Continued)

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

	2011	2010
	RMB'000	*RMB'000*
As at 1 January	**540,667**	384,336
Additions from acquisition of subsidiaries	**34,910**	7,252
Allowances for bad and doubtful debts	**169,170**	149,079
As at 31 December	**744,747**	540,667

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

	2011	2010
	RMB'000	*RMB'000*
RMB	**22,448,706**	16,262,598
EUR	**15,092**	73,871
PGK	**28,935**	13,908
USD	**376,374**	536,575
SAR	**7,163**	13,839
VND	**26,711**	189,739
KZT	**6,486**	3,842
AUD	**14,915**	16,607
Others	**—**	280
	22,924,382	17,111,259

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

(g) The amounts are carried interests at interest rates of 5.18 % (2010: 5.18%) per annum and repayable within one year. The balance is due from independent parties and is unsecured.

(h) As at 31 December 2011, approximately RMB66.97 million (2010: approximately RMB20.65 million) of the trade receivables and approximately RMB1,524.08 million of the bills receivable (2010: approximately RMB1,794.88 million) of the Group has pledged to secure bank loans granted to the Group.

25. AMOUNTS DUE FROM /(TO) RELATED PARTIES

	2011 RMB'000	2010 RMB'000
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**1,023,952**	710,278
Associates	**316,961**	13,566
Immediate holding company	**184**	—
Non-controlling interests of subsidiaries	**142,739**	210,244
	1,483,836	934,088
Non-trading in nature:		
Fellow subsidiaries	**520,436**	295,608
Associates	**741,350**	112,580
Immediate holding company	**1,134**	182,534
Non-controlling interests of subsidiaries	**242,111**	286,331
	1,505,031	877,053
	2,988,867	1,811,141
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**142,781**	118,936
Associates	**21,490**	1,250
Non-controlling interests of subsidiaries	**241,488**	10,544
	405,759	130,730
Non-trading in nature:		
Fellow subsidiaries	**119,361**	212,744
Associate	**5,724**	4,864
Immediate holding company	**100,000**	100,000
Non-controlling interests of subsidiaries	**655,820**	114,956
	880,905	432,564
	1,286,664	563,294

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

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

As at 31 December 2011, amounts due from related parties of approximately RMB435.38 million (2010: approximately RMB119.51 million) carry the variable loan interest rate stipulated by the bank for the corresponding period at rate of 6.46% (2010: 5.35%) per annum and approximately RMB3.50 million balance of amounts due from related parties carry fixed interest rate (2010: RMB Nil). The remaining balances of amounts due from related parties are interest-free.

As at 31 December 2011, amounts due to related parties of approximately RMB20.15 million (2010: approximately RMB6.00 million) carry the variable interests stipulated by the bank for the corresponding period at rate of 6.56% (2010: 5.35%) per annum and approximately RMB15.00 million (2010: approximately RMB106.44 million) carry fixed interest rate of 6.10% (2010: RMB5.31%) per annum. The remaining balances of amounts due to related parties are interest-free.

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

	2011 ***RMB'000***	2010 *RMB'000*
Contracts in progress at reporting date		
Analysed for reporting purposes as:		
Contract costs incurred plus recognised profits less recognised losses to date	**4,967,989**	6,788,509
Less: progress billings	**(4,205,902)**	(6,108,814)
	762,087	679,695
Amounts due from contract customers included in trade and other receivables *(Note 24)*	**797,032**	849,813
Amounts due to contract customers included in trade and other payables *(Note 29)*	**(34,945)**	(170,118)
	762,087	679,695

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

As at 31 December 2011, advances received from customers for contract work amounted to approximately RMB34.95 million (2010: approximately RMB170.12 million) are included in trade and other payables. The retention receivables included in trade and other receivables, net of allowance for bad and doubtful debts, as set out in Note 24, amounted to approximately RMB41.50 million (2010: approximaely RMB77.31 million).

27. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

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

	2011	2010
	RMB'000	*RMB'000*
USD	**34,401**	48,185
EUR	**19,984**	25,869
PGK	**77,114**	45,408
SAR	**1,510**	2,897
HKD	**3,229**	9,712
VND	**1,640**	1,484
KZT	**5,465**	11,560
AUD	**3,155**	13,900
Others	**323**	89
	146,821	159,104

As at 31 December 2011, the Group pledged approximately RMB3,264.66 million (2010: approximately RMB1,267.80 million), which is denominated in RMB, to bankers of the Group to secure the bank borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at market rates which range from 0.36% to 3.6% (2010: range from 0.36% to 2.75%) per annum.

28. ASSETS CLASSIFIED AS HELD FOR SALE

	2011 RMB'000	2010 RMB'000
Assets:		
Prepaid lease payments *(Note 15)*	—	30,005
Property, plant and equipment *(Note 14)*	—	87,682
Total assets	—	117,687
Assets classified as held for sale	—	117,687

Notes:

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

At 31 December 2010, the property and land use rights related have been accounted for as held for sale following shareholders' approval of the decision to reallocate this location's operation.

(b) On 31 December 2009, China National Building Material Group Corporation and Residential Construction Service Centre for Civil Servants of the Central Government Departments entered into the Land Transfer Agreement in Beijing in accordance with the overall urban development requirements as set out by the Beijing government. Pursuant to the Land Transfer Agreement, the Parent will procure the transfer of the governmental land use rights of the entire land parcel — No.16, Jian Cai Cheung West Road, Xi San Qi, Haidian District, Beijing to the Residential Construction Service Centre of the Central Government as part of government planning. The target land parcel, which was once served as the office and stations for several production lines (also known as "Xi San Qi Beijing Operation Base"), will be constructed as services centres for staff of central government departments.

At 31 December 2010, the equipment and land use right related to Xi San Qi Beijing Operation Base have been accounted for as held for sale following shareholders' approval of the decision to reallocate this location's operation.

29. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within two months	**5,927,990**	5,729,456
More than two months but within one year	**4,704,366**	1,959,653
Between one and two years	**834,683**	486,494
Between two and three years	**188,261**	377,164
Over three years	**231,693**	95,898
Trade payables	**11,886,993**	8,648,665
Bills payable	**2,261,775**	2,294,982
Provision for share appreciation rights *(Note 44)*	**4,231**	12,665
Amounts due to customers for contract work *(Note 26)*	**34,945**	170,118
Other payables	**11,612,485**	7,580,677
	25,800,429	18,707,107

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2011	2010
	RMB'000	*RMB'000*
Financial liabilities carried at fair value through profit or loss		
Held-for-trading derivative not designated in hedge accounting relationship *(Note)*	**464**	1,111
	464	1,111

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

The notional principal amount of the outstanding currency forward contract as at 31 December 2011 was approximately RMB79.77 million (2010: approximately RMB105.95 million).

31. BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank borrowings		
— Secured	**8,776,637**	4,661,910
— Unsecured	**65,607,489**	53,427,437
	74,384,126	58,089,347
Bonds *(Note)*	**11,052,000**	1,000,000
Other borrowings from non-financial institutions	**430,100**	29,118
	85,866,226	59,118,465
Analysed for reporting purposes:		
— Non-current	**32,748,245**	30,930,495
— Current	**53,117,981**	28,187,970
	85,866,226	59,118,465

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

During the year, the Company issued medium-term bonds with an aggregate principal amount of RMB3 billion and RMB5 billion with the maturity of 3 years and a coupon rate of 6.06% per annum on 10 October 2011 and a coupon rate of 5.06% per annum on 5 December 2011 respectively. From the issue date, the interests will be paid once every year and the principal will be fully repaid on maturity date.

On 28 April 2011, BNBM, a subsidiary owned by the Company, issued short-term bonds with an aggregate principal amount of RMB0.6 billion with the maturity of 1 year and a coupon rate of 4.87% per annum.

On 9 December 2011, South Cement, a subsidiary owned by the Company, issued short-term bonds with an aggregate principal amount of RMB1.5 billion with the maturity of 1 year and a coupon rate of 5.68% per annum.

31. BORROWINGS *(CONTINUED)*

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

	2011	2010
	RMB'000	*RMB'000*
Fixed rate bank borrowings repayable:		
Within one year	**15,179,745**	13,038,471
Between one and two years	**2,078,523**	2,418,568
Between two and three years	**2,966,614**	817,200
Between three and four years	**3,188,973**	485,370
Between four and five years	**1,378,584**	723,150
More than five years	**1,084,734**	1,255,808
	25,877,173	18,738,567
Variable rate bank borrowings repayable:		
Within one year	**35,408,136**	15,139,500
Between one and two years	**6,996,654**	10,974,480
Between two and three years	**2,513,167**	6,856,244
Between three and four years	**1,680,269**	1,487,460
Between four and five years	**1,433,927**	3,599,829
More than five years	**474,800**	1,293,267
	48,506,953	39,350,780

	2011	2010
Effective interest rate per annum		
Fixed rate borrowings	**2% to 12%**	4.23% to 7.47%
Variable rate borrowings	**3.51% to 8.10%**	4.32% to 6.72%

The carrying amounts of borrowings approximate to their fair values. Other borrowings are unsecured, interest-bearing at 6.56% per annum (2010: Nil) and repayable within 1 year.

As at 31 December 2011, bank borrowings of approximately RMB268.80 million (2010: approximately RMB2,454.60 million) were guaranteed by independent third parties.

31. BORROWINGS *(CONTINUED)*

The borrowings denominated in AUD, EUR and USD of approximately RMB3.20 million, RMB15.25 million and RMB139.34 million respectively (2010: approximately RMB nil, RMB10.57 million and RMB133.31 million respectively), the remaining balance was denominated in RMB.

The bank borrowings of approximately RMB8,776.64 million (2010: approximately RMB4,661.91 million) are secured by the following assets of the Groups:

	2011 *RMB'000*	2010 *RMB'000*
Property, plant and equipment *(Note 14)*	**5,110,539**	3,077,650
Prepaid lease payments *(Note15)*	**573,095**	407,700
Investment property *(Note 16)*	**216,298**	227,081
Mining rights *(Note 18)*	**14,989**	14,289
Cash and cash equivalents *(Note 27)*	**3,264,655**	1,267,803
Trade receivables *(Note 24)*	**66,965**	20,646
Bill receivables *(Note 24)*	**1,524,082**	1,794,878
	10,770,623	6,810,047

32. DEFERRED INCOME TAX

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

	Fair value adjustments on investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Loss on partial disposal of subsidiaries and associates *RMB'000*	Allowances on inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2010	(6,307)	(627,194)	(65,718)	(236,113)	19,227	56,642	174,271	165,959	3,853	31,875	(483,505)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(142,433)	(29,976)	(47,523)	—	24,643	182,697	—	—	6,341	(6,251)
Arising from disposal of subsidiaries *(Note 37(b))*	—	—	—	—	—	—	—	—	—	(21)	(21)
Credit/(charge) to the consolidated income statement *(Note 11)*	(8,268)	382,652	(241,921)	(56,966)	—	47,975	(47,311)	(12,544)	—	96,297	159,914
As at 31 December 2010	(14,575)	(386,975)	(337,615)	(340,602)	19,227	129,260	309,657	153,415	3,853	134,492	(329,863)

32. DEFERRED INCOME TAX *(CONTINUED)*

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

	Fair value adjustments on investment *RMB'000*	Fair value adjustments on properties *RMB'000*	Fair value adjustments on intangible assets *RMB'000*	Fair value adjustments on prepaid lease payments *RMB'000*	Loss on partial disposal of subsidiaries and associates *RMB'000*	Allowances on inventories and trade and other receivables *RMB'000*	Impairment for properties *RMB'000*	Tax losses *RMB'000*	Financial guarantee contracts *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at 1 January 2011	(14,575)	(386,975)	(337,615)	(340,602)	19,227	129,260	309,657	153,415	3,853	134,492	(329,863)
Arising from acquisition of subsidiaries *(Note 37(a))*	—	(270,776)	(104,927)	(53,025)	—	4,548	210,675	3,319	—	205	(209,981)
Arising from disposal of subsidiaries *(Note 37(b))*	—	6,082	—	4,405	—	(71)	(3,813)	—	—	—	6,603
Credit/(charge) to the consolidated income statement *(Note 11)*	24,072	56,950	323	22,247	—	40,695	40,154	(4,302)	12,542	(182,643)	10,038
Credit/(charge) to the consolidated other comprehensive income *(Note 11)*	3,811	—	—	—	—	—	—	—	—	—	3,811
As at 31 December 2011	13,308	(594,719)	(442,219)	(366,975)	19,227	174,432	556,673	152,432	16,395	(47,946)	(519,392)

32. DEFERRED INCOME TAX *(CONTINUED)*

	2011	2010
	RMB'000	*RMB'000*
For presentation purpose:		
Deferred income tax assets	**906,210**	753,946
Deferred income tax liabilities	**(1,425,602)**	(1,083,809)
	(519,392)	(329,863)

At 31 December 2011, the Group has unused tax losses of approximately RMB782.13 million (2010: approximately RMB930.12 million) available for offset against future profits, of which, approximately RMB172.41 million (2010: approximately RMB316.46 million) were not recognised as deferred income tax assets due to the unpredictability of future profits streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	2011	2010
	RMB'000	*RMB'000*
Unused tax losses expiring in:		
2011	**—**	50,479
2012	**19,611**	53,950
2013	**29,483**	133,242
2014	**56,661**	102,782
2015	**182,249**	589,662
2016	**494,129**	—
	782,133	930,115

33. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2011, certain fixtures and equipment are under finance leases. The average lease term is 3 to 5 years (2010: 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at range of 5.18% to 6.80% (2010: 5.18%). These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**1,005,281**	687,407	**873,537**	572,426
In more than one year but not more than two years	**972,605**	671,032	**871,565**	589,136
In more than two years but not more than five years	**1,309,138**	1,265,145	**1,225,208**	1,214,569
	3,287,024	2,623,584	**2,970,310**	2,376,131
Less: future finance charge	**(316,714)**	(247,453)	**N/A**	N/A
Present value of lease obligations	**2,970,310**	2,376,131	**2,970,310**	2,376,131
Less: Amount due for settlement within 12 months			**(873,537)**	(572,426)
			2,096,773	1,803,705

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

34. FINANCIAL GUARANTEE CONTRACTS

	2011	2010
	RMB'000	*RMB'000*
As at 1 January	**13,298**	14,780
Financial guarantee recognised	**54,290**	—
Less: Amount released to the consolidated income statement *(Note 7)*	**(3,430)**	(1,482)
As at 31 December	**64,158**	13,298
For presentation purpose:		
Non-current liabilities	**64,000**	9,710
Current liabilities	**158**	3,588
	64,158	13,298

Subsidiaries had guaranteed bank borrowings, which arising on the acquisition of subsidiaries of approximately RMB293.00 million (2010: approximately RMB139.00 million) for independent third parties. The fair value of the guarantees granted amounting to approximately RMB64.16 million (2010: approximately RMB13.30 million) is recognised as a liability.

35. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	Amount	Number of shares	Amount	Total capital
		RMB'000		*RMB'000*	*RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2010	1,280,577,054	1,280,577	1,200,638,219	1,200,638	2,481,215
Issuance of new H shares *(Note (c))*	—	—	218,297,858	218,298	218,298
Conversion of Domestic shares into H shares *(Note (c))*	(20,649,871)	(20,650)	20,649,871	20,650	—
As at 31 December 2010 and 1 January 2011	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
Bonus shares Issue *(Note (d))*	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
As at 31 December 2011	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

35. SHARE CAPITAL *(CONTINUED)*

Notes:

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

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

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

(d) The 2010 annual general meeting held on 3 June 2011 approved the bonus issue of 10 shares for every 10 shares held by shareholders as at 3 June 2011. As a result, the issued share capital of the Company increased form RMB2,699,513,131 to RMB5,399,026,262, through capitalisation of share premium of RMB2,699,513,131.

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

36. RESERVES

(a) Statutory surplus reserve fund

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

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

In the year of 2011, the Group acquired 61 subsidiaries from independent third parties and acquired certain assets through acquisition of subsidiaries. The acquired subsidiaries groups are principally engaged in the production, storage and sale of cement and providing engineering services.

These acquisitions have been accounted for using the purchase method.

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

	2011	2010
	Fair value	Fair value
	RMB'000	*RMB'000*
Net assets acquired:		
Property, plant and equipment *(Note 14)*	**11,924,243**	6,677,664
Investment properties *(Note 16)*	**4,148**	2,929
Intangible assets *(Note 18)*	**532,034**	264,163
Investments in associates	**—**	470
Prepaid lease payments *(Note 15)*	**1,220,942**	853,821
Available-for-sale financial assets	**40,000**	523
Deferred income tax assets *(Note 32)*	**218,747**	213,681
Inventories	**899,743**	805,994
Trade and other receivables	**5,001,428**	1,848,640
Amounts due from the related parties	**65,689**	178,034
Held-for-trading Investments	**350**	—
Pledged bank deposits	**22,419**	7,621
Cash and cash equivalents	**1,374,026**	1,111,863
Trade and other payables	**(12,138,353)**	(5,141,653)
Current income tax liabilities	**(15,120)**	(72,613)
Amounts due to the related parties	**(132,878)**	(403,051)
Borrowings	**(4,132,104)**	(3,694,939)
Deferred income tax liabilities *(Note 32)*	**(428,728)**	(219,932)
Net assets	**4,456,586**	2,433,215

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

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

	2011	2010
	Fair value	Fair value
	RMB'000	*RMB'000*
Non-controlling interests	**(252,711)**	(813,118)
Interest transferred from associated companies	**(265,695)**	(406,764)
Discount on acquisition of interest in subsidiaries *(Note 7)*	**(49,850)**	(52,032)
Goodwill *(Note 17)*	**6,072,390**	1,990,133
Total consideration	**9,960,720**	3,151,434

	2011	2010
	RMB'000	*RMB'000*
Total consideration satisfied by:		
Cash	**6,445,142**	2,391,683
Other payables	**3,515,578**	759,751
	9,960,720	3,151,434
Net cash outflow arising on acquisition:		
Cash consideration paid	**(6,445,142)**	(2,391,683)
Less: Cash and cash equivalents acquired	**1,374,026**	1,111,863
	(5,071,116)	(1,279,820)

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

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

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

The discount on acquisition was the result of losses incurred by those subsidiaries in prior years' operations and the additional capital to be injected by the Group required to expand the production facilities in future.

Included in the revenue and profit for the year are approximately RMB3,955.16 million and RMB515.53 million respectively attributable to the additional business generated by these newly acquired cement companies.

Had these business combinations been effected at 1 January 2011, the revenue of the Group would be approximately RMB84,754.82 million, and profit for the year of the Group would be approximately RMB10,483.33 million. The directors of the Company consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

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

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

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

(i) On 1 July 2011, the Group acquired 100% of the equity interests of Heilongjiang Binzhou Cement Company Limited (「黑龍江省賓州水泥有限公司」) for the consideration of approximately RMB1,831.58 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	828,281
Intangible assets	137,588
Prepaid lease payments	73,673
Available-for-sale financial assets	20,000
Deferred income tax assets	839
Inventories	66,902
Trade and other receivables	39,966
Amounts due from related parties	65,689
Pledged bank deposits	22,379
Cash and cash equivalents	260,344
Trade and other payables	(581,090)
Amounts due to related parties	(132,878)
Borrowings	(330,000)
Deferred income tax liabilities	(65,678)
Net assets	406,015
Goodwill	1,425,560
Total consideration	1,831,575

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

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

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

(i) On 1 July 2011, the Group acquired 100% of the equity interests of Heilongjiang Binzhou Cement Company Limited (「黑龍江省賓州水泥有限公司」) for the consideration of approximately RMB1,831.58 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	1,831,575
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,831,575)
Less: Cash and cash equivalents acquired	260,344
	(1,571,231)

Included in the revenue and profit for the year are approximately RMB829.68 million and RMB304.53 million respectively attributable to the additional business generated by acquired subsidiary.

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

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

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

(ii) On 20 January 2011, the Group acquired 100% of the equity interests of Hunan Taojiang South Cement Company Limited (「湖南桃江南方水泥有限公司」) for the consideration of RMB402.98 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	590,732
Intangible assets	26,095
Prepaid lease payments	84,660
Deferred income tax assets	24,915
Inventories	37,336
Cash and cash equivalents	4
Trade and other payables	(433,412)
Borrowings	(200,000)
Deferred income tax liabilities	(1,269)
Net assets	129,061
Goodwill	273,866
Total consideration	402,927

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

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

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

(ii) On 20 January 2011, the Group acquired 100% of the equity interests of Hunan Taojiang South Cement Company Limited (「湖南桃江南方水泥有限公司」) for the consideration of RMB402.98 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011 *RMB'000*
Total consideration satisfied by:	
Cash	250,000
Other payables	152,927
	402,927
Net cash outflow arising on acquisition:	
Cash consideration paid	(250,000)
Less: Cash and cash equivalents acquired	4
	(249,996)

Included in the revenue and profit for the year are approximately RMB481.17 million and RMB67.69 million respectively attributable to the additional business generated by acquired subsidiary.

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

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

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

(iii) On 31 July 2011, the Group acquired 100% of the equity interests of Lechang South Cement Company Limited (「樂昌南方水泥有限公司」) for the consideration of RMB210.94 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 Fair value *RMB'000*
Net assets acquired:	
Property, plant and equipment	182,532
Prepaid lease payments	109,705
Deferred income tax assets	9,347
Inventories	22,651
Trade and other receivables	39,183
Cash and cash equivalents	4,174
Trade and other payables	(234,874)
Deferred income tax liabilities	(24,829)
Net assets	107,889
Goodwill	103,049
Total consideration	210,938

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

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

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

(iii) On 31 July 2011, the Group acquired 100% of the equity interests of Lechang South Cement Company Limited (「樂昌南方水泥有限公司」) for the consideration of RMB210.94 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	142,897
Other payables	68,041
	210,938
Net cash outflow arising on acquisition:	
Cash consideration paid	(142,897)
Less: Cash and cash equivalents acquired	4,174
	(138,723)

Included in the revenue and profit for the year are approximately RMB137.78 million and RMB17.66 million respectively attributable to the additional business generated by acquired subsidiary.

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

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

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

(iv) On 31 January 2011, the Group further acquired 46% of the equity interests of Guangxi Jinli Cement Company Limited (「廣西金鯉水泥有限公司」) for the consideration of RMB262.42 million from independent third party. The Group was originally held 29% interest of the acquired subsidiary as at 31 December 2010. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	430,053
Intangible assets	56,540
Prepaid lease payments	40,793
Available-for-sale financial assets	20,000
Deferred income tax assets	3,148
Inventories	2
Trade and other receivables	39,859
Cash and cash equivalents	32,297
Trade and other payables	(100,760)
Deferred income tax liabilities	(10,880)
Net assets	511,052
Non-controlling interests	(127,763)
Interest transferred from associated company	(137,158)
Goodwill	16,284
Total consideration	262,415

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

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

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

(iv) On 31 January 2011, the Group further acquired 46% of the equity interests of Guangxi Jinli Cement Company Limited (「廣西金鯉水泥有限公司」) for the consideration of RMB262.42 million from independent third party. The Group was originally held 29% interest of the acquired subsidiary as at 31 December 2010. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	—
Other payables	262,415
	262,415
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	32,297
	32,297

No revenue and profit for the year are attributable to the addition and business generated by acquired subsidiary, as the subsidiary has not yet commenced the operation during the relevant period.

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

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

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

(v) On 31 October 2011, the Group acquired 100% of the equity interests of Dalian Jingang Tianma Cement Company Limited (「大連金剛天馬水泥有限公司」) for the consideration of RMB455.36 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	325,251
Intangible assets	19,414
Prepaid lease payments	125
Deferred income tax assets	9,558
Inventories	38,579
Trade and other receivables	13,081
Cash and cash equivalents	146,565
Trade and other payables	(374,887)
Borrowings	(87,000)
Deferred income tax liabilities	(1,693)
Net assets	88,993
Goodwill	366,366
Total consideration	455,359

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

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

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

(v) On 31 October 2011, the Group acquired 100% of the equity interests of Dalian Jingang Tianma Cement Company Limited (「大連金剛天馬水泥有限公司」) for the consideration of RMB455.36 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011 *RMB'000*
Total consideration satisfied by:	
Cash	297,204
Other payables	158,155
	455,359
Net cash outflow arising on acquisition:	
Cash consideration paid	(297,204)
Less: Cash and cash equivalents acquired	146,565
	(150,639)

Included in the revenue and loss for the year are approximately RMB57.69 million and RMB3.16 million respectively attributable to the additional business generated by acquired subsidiary.

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

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

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

(vi) On 31 October 2011, the Group had completed the acquisition process of 14 subsidiaries, which were under the control of Sichuan Lisen Group (「四川利森建材集團有限公司」) for the consideration of approximately RMB2,291.78 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	3,976,959
Intangible assets	155,214
Prepaid lease payments	178,224
Deferred income tax assets	28,728
Inventories	292,451
Trade and other receivables	893,690
Cash and cash equivalents	200,922
Trade and other payables	(2,607,187)
Borrowings	(1,627,100)
Deferred income tax liabilities	(80,011)
Net assets	1,411,890
Non-controlling interests	(47,541)
Goodwill	927,426
Total consideration	2,291,775

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

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

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

(vi) On 31 October 2011, the Group had completed the acquisition process of 14 subsidiaries, which were under the control of Sichuan Lisen Group (「四川利森建材集團有限公司」) for the consideration of approximately RMB2,291.78 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	1,072,944
Other payables	1,218,831
	2,291,775
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,072,944)
Less: Cash and cash equivalents acquired	200,922
	(872,022)

Included in the revenue and profit for the year are approximately RMB387.04 million and RMB36.57 million respectively attributable to the additional business generated by the acquired subsidiary.

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

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

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

(vii) On 31 October 2011, the Group acquired 100% of the equity interests of Simao Jianfeng Cement Company Limited (「思茅建峰水泥有限公司」) for the consideration of RMB714.09 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	372,833
Prepaid lease payments	41,975
Deferred income tax assets	4,580
Inventories	33,576
Trade and other receivables	132,604
Cash and cash equivalents	104,041
Trade and other payables	(93,554)
Current income tax liabilities	(6,874)
Borrowings	(254,000)
Deferred income tax liabilities	(24,882)
Net assets	310,299
Goodwill	403,787
Total consideration	714,086

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

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

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

(vii) On 31 October 2011, the Group acquired 100% of the equity interests of Simao Jianfeng Cement Company Limited (「思茅建峰水泥有限公司」) for the consideration of RMB714.09 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	300,000
Other payables	414,086
	714,086
Net cash outflow arising on acquisition:	
Cash consideration paid	(300,000)
Less: Cash and cash equivalents acquired	104,041
	(195,959)

Included in the revenue and profit for the year are approximately RMB98.37 million and RMB6.20 million respectively attributable to the additional business generated by the acquired subsidiary.

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

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

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

(viii) On 1 November 2011, the Group had completed the acquisition process of 5 subsidiaries, which were under the control of Chongqing Kehua Holding Group (「重慶科華控股(集團)股份有限公司」) for the consideration of approximately RMB1,808.69 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement.

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

	2011 **Fair value** *RMB'000*
Net assets acquired:	
Property, plant and equipment	1,614,393
Intangible assets	69,320
Prepaid lease payments	221,147
Deferred income tax assets	30,115
Inventories	139,410
Trade and other receivables	2,704,241
Cash and cash equivalents	479,101
Trade and other payables	(3,465,809)
Borrowings	(1,164,820)
Deferred income tax liabilities	(74,762)
Net assets	552,336
Goodwill	1,256,353
Total consideration	1,808,689

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

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

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

(viii) On 1 November 2011, the Group had completed the acquisition process of 5 subsidiaries, which were under the control of Chongqing Kehua Holding Group (「重慶科華控股(集團)股份有限公司」) for the consideration of approximately RMB1,808.69 million from independent third party. The acquired subsidiary is principally engaged in the production and sale of cement. *(Continued)*

	2011
	RMB'000
Total consideration satisfied by:	
Cash	1,711,086
Other payables	97,603
	1,808,689
Net cash outflow arising on acquisition:	
Cash consideration paid	(1,711,086)
Less: Cash and cash equivalents acquired	479,101
	(1,231,985)

Included in the revenue and profit for the year are approximately RMB201.93 million and RMB15.28 million respectively attributable to the additional business generated by the acquired subsidiary.

(b) Disposal of subsidiaries

During the year, the Group disposed of the equity interest in 10 subsidiaries of the Group, for the consideration of approximately RMB369.37 million.

(i) Profit for the year generated from the disposal of the subsidiaries comprised:

	2011	2010
	RMB'000	*RMB'000*
Gain on disposal of subsidiaries	**100,825**	10,740

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries (Continued)

(ii) Details of the assets and liabilities of disposed of and the gain on disposal are as follows:

	2011 RMB'000	2010 RMB'000
Assets and liabilities disposed of:		
Property, plant and equipment *(Note 14)*	**313,654**	884
Goodwill *(Note 17)*	**156,332**	—
Intangible assets *(Note 18)*	**1,297**	—
Investments in associates	**4,425**	—
Prepaid lease payments *(Note 15)*	**74,160**	—
Deferred income tax assets *(Note 32)*	**3,884**	21
Inventories	**1,074,881**	—
Trade and other receivables	**580,217**	12,664
Cash and cash equivalents	**37,462**	210
Trade and other payables	**(1,566,466)**	(18,119)
Borrowings	**(112,580)**	—
Deferred tax liabilities *(Note 32)*	**(10,487)**	—
Non-controlling interest	**(190,227)**	—
Net assets/(liabilities) disposal of	**366,552**	(4,340)
Consideration received:		
Cash received	**195,369**	6,400
Fair value of net identifiable assets acquired	**174,000**	—
Total consideration	**369,369**	6,400
Investment in associates retained	**135,109**	—
Capital reserves	**(37,101)**	—
Less: Net (assets)/liabilities disposed of	**(366,552)**	4,340
Gain on disposal of subsidiaries *(Note 7)*	**100,825**	10,740
Inflow of cash arising from disposal of the subsidiaries		
Cash consideration	**195,369**	6,400
Cash and cash equivalents in disposal of subsidiaries	**(37,462)**	(210)
Net cash inflow from disposal of subsidiaries	**157,907**	6,190

38. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 December 2011, the Group acquired additional issued shares of 19 subsidiaries for a purchase consideration of approximately RMB1,041.44 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB648.96 million. The Group recognised a decrease in non-controlling interests of approximately RMB648.96 million and a decrease in equity attributable to owners of the Group of approximately RMB392.48 million.

Details of the Group's significant acquisition of additional interests in subsidiaries during the year are as follows:

North Cement Company Limited ("North Cement"), a subsidiary of the Company, obtained 30% equity interests of Hegang North Cement Company Limited ("Hegang North Cement") in previous years. Although North Cement owned less than half of the voting power of Hegang North Cement, North Cement was able to govern the financial and operating policies of the subsidiary by virture of agreement with the other investors of the subsidiary. Consequently, the Group recognized Hegang North Cement as subsidiary at 31 December 2010. On 1 January 2011, North Cement further acquired an additional 70% of the issued shares of Hegang North Cement Company Limited ("Hegang North Cement") from the non-controlling interests for a purchase consideration of approximately RMB53.97 million. The carrying amount of the non-controlling interests in Hegang North Cement on the date of acquisition was approximately RMB27.93 million. The Group recognised a decrease in non-controlling interests of approximately RMB27.93 million and a decrease in equity attributable to owners of the Group of approximately RMB26.04 million.

On 1 January 2011, South Cement Company Limited ("South Cement"), a subsidiary of the Company, acquired an additional 20% of the issued shares of Jiangxi South Cement Company Limited ("Jiangxi South") for a purchase consideration of approximately RMB355.60 million. The carrying amount of the non-controlling interests in Jiangxi South on the date of acquisition was approximately RMB194.40 million. The Group recognised a decrease in non-controlling interests of approximately RMB194.40 million and a decrease in equity attributable to owners of the Group of approximately RMB161.20 million.

On 30 April 2011, South Cement acquired an additional 20% of the issued shares of Hunan Qidong South Cement Company Limited ("Hunan Qidong") for a purchase consideration of approximately RMB39.16 million. The carrying amount of the non-controlling interests in Hunan Qidong on the date of acquisition was approximately RMB28.36 million. The Group recognised a decrease in non-controlling interests of approximately RMB28.36 million and a decrease in equity attributable to owners of the Group of approximately RMB10.80 million.

On 31 October 2011, Beijing New Building Material Company Limited ("BNBM"), a subsidiary of the Company, acquired an additional 20% of the issued shares of Taishan Gypsum (Chongqing) Company Limited ("Taishan Gypsum") for a purchase consideration of approximately RMB20.73 million. The carrying amount of the non-controlling interests in Taishan Gypsum on the date of acquisition was approximately RMB20.73 million.

38. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(CONTINUED)*

On 31 December 2011, China United Cement Corporation ("China United"), a subsidiary of the Company, acquired an additional 49% of the issued shares of China United Cement Juxian Company Limited ("China United Cement Juxian") for a purchase consideration of approximately RMB285.00 million. The carrying amount of the non-controlling interests in China United Cement Juxian on the date of acquisition was approximately RMB192.10 million. The Group recognised a decrease in non-controlling interests of approximately RMB192.10 million and a decrease in equity attributable to owners of the Group of approximately RMB92.90 million.

	2011	2010
	RMB'000	*RMB'000*
Carrying amount of non-controlling interests acquired	**648,961**	235,108
Consideration paid to non-controlling interests	**(1,041,439)**	(270,497)
Excess of consideration paid recognised within parent's equity	**(392,478)**	(35,389)

39. CONTINGENT LIABILITIES

At the reporting date, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	2011	2010
	RMB'000	*RMB'000*
Guarantees given to banks in respect of banking facilities utilised by independent third parties	**293,000**	139,000

40. COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure of the Group contracted but not provided in the consolidated financial statements in respect of:		
— Acquisition of property, plant and equipment	**1,356,219**	2,884,169
— Acquisition of prepaid lease payments	**23,330**	—
— Acquisition of subsidiaries	**84,379**	143,061
— Acquisition of mining rights	**295,200**	—

41. OPERATING LEASE COMMITMENTS

Lessee

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**45,873**	28,653
In the second to fifth year inclusive	**90,692**	60,456
Over five years	**83,346**	38,250
	219,911	127,359

Operating lease payments represent rentals payable by the Group for certain of its business premises. Leases are negotiated for an average term of fourteen years (2010: fourteen years) and rentals are fixed for an average term of fourteen years (2010: fourteen years).

41. OPERATING LEASE COMMITMENTS *(CONTINUED)*

Lessor

At the reporting date, the Group has contracted with tenants for the following future minimum lease payments:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**50,111**	51,991
In the second to fifth year inclusive	**161,020**	156,183
Over five years	**330,997**	326,791
	542,128	534,965

The Group did not have contingent rental arrangement with the tenants in both years. The rentals are fixed at the commencement of the leases respectively. The lease periods are ranging from one year to twenty years (2010: one year to twenty years).

42. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the Parent, which is a state-owned enterprise established in the PRC. The Parent itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised), "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include the Parent and its subsidiaries (other than the Group), other government-related entities and subsidiaries ("other stated-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

42. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(a) The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries

	2011 *RMB'000*	2010 *RMB'000*
Provision of production supplies to		
— the Parent Group	**32,915**	482,610
— Associates	**345,672**	5,215
— Non-controlling interests of subsidiaries	**255,080**	288,589
	633,667	776,414
Provision of support services to the Parent Group	**187,256**	11,282
Rental income received from		
— the Parent Group	**11,698**	6,807
— Associates	**18,825**	18,634
	30,523	25,441
Rendering of engineering service to Parent Group	**94,840**	—
Interest income received from		
— the Parent Group	**2,219**	—
— Associates	**33,385**	4,490
— Non-controlling interests of subsidiaries	**5,894**	5,330
	41,498	9,820
Supply of raw minerals (limestone and clay) by the Parent Group	**96,807**	114,539
Supply of raw materials by		
— the Parent Group	**17,799**	66,115
— Associates	**49,559**	33,323
— Non-controlling interests of subsidiaries	**90,556**	68,157
	157,914	167,595

42. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) The Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries *(Continued)*

	2011	2010
	RMB'000	*RMB'000*
Provision of production supplies by		
— the Parent Group	**306,615**	14,813
— Associates	**32,908**	—
— Non-controlling interests of subsidiaries	**76,727**	—
	416,250	14,813
Provision of support services by		
— the Parent Group	**20,104**	8,378
— Non-controlling interests of subsidiaries	**999**	—
	21,103	8,378
Supplying of equipment by the Parent Group	**219,244**	45,508
Rental expense paid to		
— the Parent Group	**1,000**	—
— Non-controlling interests of subsidiaries	**80**	—
	1,080	—
Interest expense paid to Non-controlling interests of subsidiaries	**4,429**	937
Rendering of engineering services by the Parent Group	**1,863**	57,573

42. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Transactions and balances with other state-owned enterprises in the PRC

During the year ended 31 December 2011, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 31 December 2011 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations during the year are as follows:

	2011 ***RMB'000***	2010 *RMB'000*
Short-term benefits	**5,029**	10,204
Share-based payments	**759**	1,150
Post-employment benefits	**166**	160
	5,954	11,514

43. EMPLOYEE BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in Note 10.

44. SHARE APPRECIATION RIGHTS PLAN

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

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

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

On 18 September 2006, the Company granted 5,880,000 units of SA Rights at exercise price of HKD3.50 each unit to the senior management of the Company as follows:

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

As the SA Rights vest at different amounts until the grantees have completed a specified period of service, the Company recognised the service and a liability of approximately RMB2.49 million (2010: approximately RMB2.88 million), being the estimated compensation paid for service rendered by the grantee during the year.

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

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011 *RMB'000*	2010 *RMB'000*
Investment in subsidiaries	**22,125,963**	16,164,388
Other non-current assets	**1,885,895**	1,705,282
Amount due from subsidiaries	**11,099,067**	4,658,739
Other current assets	**798,963**	1,017,304
Non-current liabilities	**(11,291,875)**	(10,321,958)
Current liabilities	**(12,560,815)**	(2,171,554)
Net assets	**12,057,198**	11,052,201
Share capital *(Note 35)*	**5,399,026**	2,699,513
Reserves	**6,658,172**	8,352,688
Total equity	**12,057,198**	11,052,201

Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below:

	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *(Note 36(a))* *RMB'000*	(Accumulated losses)/ Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2010	4,817,043	501,310	87,129	(539,774)	4,865,708
Total comprehensive income for the year	—	—	—	953,714	953,714
Issue of share	2,706,951	—	—	—	2,706,951
Dividends *(Note 12)*	—	—	—	(173,685)	(173,685)
Appropriation to statutory reserve	—	—	91,463	(91,463)	—
Balance at 31 December 2010	7,523,994	501,310	178,592	148,792	8,352,688

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Details of the changes in the company's individual components of reserves between the beginning and the end of the year are set out below: *(Continued)*

	Share premium	Capital reserves	Statutory surplus reserve fund *(Note 36(a))*	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	7,523,994	501,310	178,592	148,792	8,352,688
Total comprehensive income for the year	—	—	—	1,507,106	1,507,106
Issue of bonus shares *(Note 35)*	(2,699,513)	—	—	—	(2,699,513)
Dividends *(Note 12)*	—	—	—	(502,109)	(502,109)
Appropriation to statutory reserve	—	—	140,191	(140,191)	—
Balance at 31 December 2011	4,824,481	501,310	318,783	1,013,598	6,658,172

46. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 16 September 2011, a special resolution passed at the extraordinary general meeting to allot and issue not more than 1 billion A Shares of RMB1.00 each and to apply for the listing of, and permission to deal in, such A Shares on the Shanghai Stock Exchange at such time as considered appropriate and in the best interest of the Company. The Company proposed to use proceeds raised from proposed A share issue in acquisition, investment in fixed assets, overhaul of the information system, repayment of bank loans and replenishment of cash flows.

Details on the A share offering have been disclosed in the Company's announcement dated 20 July 2011, the announcement dated 16 September 2011 and the circular dated 1 August 2011. As at the date of this report, the Company has received the acknowledgement of receipt from China Securities Regulatory Commission. The A share offering is still under progress.

(b) On 3 January, 2012, Parent entered into (1) Sichuan Coal Cement Company Limited ("Sichuan Coal Cement") Sale and Purchase Agreement with BNBMG and the existing shareholders of Sichuan Coal Cement pursuant to which Parent and BNBMG agreed to acquire 99% and 1% equity interest in Sichuan Coal Cement, respectively; and (2) Panzhihua Coal Cement Products Company Limited ("Panzhihua Coal Cement") Sale and Purchase Agreement with Panzhihua Coal (Group) Company Limited, pursuant to which Parent agreed to acquire 100% equity interest in Panzhihua Coal Cement.

The Company has been notified by Parent, pursuant to the Non-Competition Agreement dated 28 February, 2006 entered into between Parent and the Company, of a potential business opportunity in relation to the acquisition of Sichuan Coal Cement and Panzhihua Coal Cement ("Target Companies") which are potentially in competition with the cement business of the Group. The Company has decided not to take up the business opportunity for the time being. The Company will keep the opportunity under continuous review with a view to deciding whether to exercise the option granted under the Non-Competition Agreement to acquire the shares of the Target Companies from the Parent in the future.

Details of a potential business opportunity in relation to the acquisition of the Target Companies has been disclosed in the announcement of the Company published on 3 January 2012.

Financial Summary

CONSOLIDATED INCOME STATEMENT

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**80,058,470**	51,987,763	33,297,363	26,365,159	10,514,411
Cost of sales	**(58,741,878)**	(40,778,919)	(26,798,003)	(21,851,738)	(8,519,325)
Gross profit	**21,316,592**	11,208,844	6,499,360	4,513,421	1,995,086
Selling and distribution costs	**(2,212,707)**	(1,810,719)	(1,267,429)	(884,012)	(524,269)
Administrative expenses	**(4,384,247)**	(2,863,083)	(1,871,691)	(1,348,674)	(616,307)
Investment and other income	**2,993,345**	2,158,284	2,036,833	1,186,583	688,487
Other expenses	**(225,565)**	(208,532)	(148,072)	(88,172)	(4,345)
Finance costs - net	**(3,859,060)**	(2,578,960)	(1,516,443)	(1,368,044)	(393,921)
Share of profit of associates	**686,149**	198,183	9,394	155,327	230,795
Profit before income tax	**14,314,507**	6,104,017	3,741,952	2,166,429	1,375,526
Income tax expenses	**(3,568,768)**	(1,360,977)	(664,059)	(293,073)	(226,793)
Profit for the year	**10,745,739**	4,743,040	3,077,893	1,873,356	1,148,733
Profit attributable to:					
Owners of the Company	**8,015,074**	3,369,433	2,352,396	1,511,542	912,446
Non-controlling interests	**2,730,665**	1,373,607	725,497	361,814	236,287
	10,745,739	4,743,040	3,077,893	1,873,356	1,148,733
Final dividend proposed	**1,160,791**	502,109	173,685	111,655	72,880
Extracts from the Consolidated Statement of Financial Position					
Total assets	**158,395,218**	111,516,350	77,009,037	58,904,191	29,879,987
Total liabilities	**(120,784,056)**	(83,617,964)	(59,493,609)	(46,770,967)	(20,127,009)
Non-controlling interests	**(11,279,394)**	(8,735,906)	(4,620,661)	(3,302,874)	(2,367,403)
Equity attributable to owners of the Company	**26,331,768**	19,162,480	12,894,767	8,830,350	7,385,575