



**CNBM**

**China National Building Material  
Company Limited\***

(Stock code : 3323)

**Interim Report 2007**

# FINANCIAL AND BUSINESS HIGHLIGHTS

	As at 30 June 2007	As at 31 December 2006 <i>(RMB in millions)</i>
Bank balances and cash	1,317	1,549
Total assets	16,186	13,990
Equity attributable to equity holders of the Company	4,396	4,207
	<b>For the six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b> <i>(RMB in millions)</i>
Revenue	3,644	2,703
Profit after taxation	337	62
— Pre share conversion losses	337	259
Profit attributable to equity holders of the Company	256	-2
— Pre-share conversion losses	256	193
Cash flow from operating activities	155	243
<b>Sales volume</b>		
Cement (in thousand tonnes)	5,285	3,809
Clinker (in thousand tonnes)	2,470	712
Gypsum boards (in million m <sup>2</sup> )	128	111
Engineering services revenue (RMB in millions)	823	535
Rotor blade (in blade)	189	—
Glass Fiber (in thousand tonnes)	191	114
<b>Price</b>		
Cement (RMB per tonne)	189.0	182.8
Clinker (RMB per tonne)	156.0	151.2
Gypsum boards		
— BNBM(RMB per m <sup>2</sup> )	6.17	6.32
— Taihe(RMB per m <sup>2</sup> )	4.08	4.05
Rotor blade(RMB per blade)	428,339	—
<b>Ratio analysis</b>		
<b>Margin</b>		
Gross margin	19.9%	18.5%
Net profit margin	7.0%	-0.1%
— Pre-share conversion losses	7.0%	7.1%
<b>Growth</b>		
Revenue	34.8%	43.3%
Net profit	N/A	-102.6%
— Pre-share conversion losses	32.9%	123.5%
<b>Others</b>		
Return on equity	5.8%	-0.1%
— Pre-share conversion losses	5.8%	5.0%
Earning per share	0.124	-0.001
— Pre-share conversion losses	0.124	0.110

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Non-Executive Directors

Cui Lijun  
Huang Anzhong  
Zuo Fenggao

### Independent Non-executive Directors

Zhang Renwei  
Zhou Daojiong  
Chi Haibin  
Lau Ko Yuen, Tom

### Audit Committee

Chi Haibin (*Chairman*)  
Zhou Daojiong  
Cui Lijun

### Remuneration Committee

Zhang Renwei (*Chairman*)  
Zhou Daojiong  
Song Zhiping

### Supervisors

Shen Anqin (*Chairman*)  
Zhou Guoping  
Bao Wenchun  
Cui Shuhong (*Staff Representative Supervisor*)  
Zhang Zhaomin (*Independent Supervisor*)  
Liu Chijin (*Independent Supervisor*)

# CORPORATE INFORMATION

<b>Secretary of the Board:</b>	Chang Zhangli
<b>Joint Company Secretaries:</b>	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
<b>Authorized Representatives:</b>	Song Zhiping Chang Zhangli
<b>Alternate Authorized Representative:</b>	Lo Yee Har Susan (FCS, FCIS)
<b>Qualified Accountant:</b>	Pei Hongyan (ACCA)
<b>Registered address:</b>	No. A-11 Sanlihe Road Haidian District, Beijing 100037 PRC
<b>Principal Place of Business in the PRC:</b>	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing 100037 PRC
<b>Place of Business in Hong Kong:</b>	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
<b>Principal Bankers:</b>	China Construction Bank, Beijing Branch Bank of Communications, Beijing Branch Shanghai Pudong Development Bank, Beijing Branch
<b>PRC Legal Adviser:</b>	Jingtian & Gongcheng Law Office 15th Floor, Union Plaza 20 Chaoyangmenwai Dajie Beijing PRC
<b>Hong Kong Legal Adviser:</b>	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong

# CORPORATE INFORMATION

**International Auditors:**

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Domestic Auditors:**

ShineWing Certified Public Accountants Company Limited  
10th Floor, Block A, Fu Hua Mansion  
No. 8 Chaoyangmen Beidajie  
Beijing  
PRC

**H Share Registrar in Hong Kong:**

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**Compliance Adviser:**

Anglo Chinese Corporate Finance, Limited  
40th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Stock Code:**

3323

**Company Website:**

<http://cnbm.wsfg.hk>  
[www.cnbmltd.com](http://www.cnbmltd.com)

## DEFINITIONS

*In this Interim Report, unless the context otherwise requires, the following terms shall have the meaning set out below:*

“2007 Value”	the aggregate value of the transactions entered and to be entered into between the Group and Parent Group pursuant to the master mineral supply agreement entered into between the Company and Parent on 28 February 2006 and the individual mineral supply agreements between the Group and the Parent Group as referred to in page 164 of the prospectus of the Company
“Anxia Cement”	山東安廈水泥集團有限公司(Shandong Anxia Cement Group Co., Ltd)
“Beijing Huachen”	北京華辰世紀投資有限公司 (Beijing Huachen Century Investment Company Limited)
“Bengbu Triumph”	蚌埠凱盛工程技術有限公司(China Triumph Bengbu Engineering and Technology Company Limited)
“BNBM”	北新集團建材股份有限公司(Beijing New Building Material Company Limited)
“BNBMG”	北新建材(集團)有限公司(Beijing New Building Material (Group) Company Limited)
“BNBM Homes”	北新房屋有限公司(BNBM Homes Company Limited)
“BNBM Plastic”	北新建塑有限公司(BNBM Building Plastic Company Limited)
“BND”	北新物流有限公司(BND Co., Limited)
“Board”	the board of directors of the Company
“Building Materials Academy”	中國建築材料科學研究總院(China Building Materials Academy)
“Chenlong Decoration”	北京北新晨龍裝飾工程有限公司(Beijing Haidian Chenlong Decoration Company Limited)
“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 Group Corporation Limited)
“Cinda”	中國信達資產管理公司(China Cinda Asset Management Corporation)
“CNBM Trading”	中建材集團進出口公司(China National Building Material Import and Export Company)

# DEFINITIONS

“Company”	中國建材股份有限公司(China National Building Material Company Limited)
“Daye Jianfeng”	湖北大冶尖峰水泥有限公司(Hubei Daye Jianfeng Cement Company Limited)
“Directors”	the members of the board of directors of the Company
“Domestic Shares”	the domestic shares in the share capital of the Company
“EPC”	turn-key project services that include engineering, procurement and construction
“FRP”	fiberglass reinforced plastics
“Group” and “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
“Huaihai China United”	淮海中聯水泥有限公司 (Huaihai China United Cement Company Limited)
“Huaihai Economic Zone”	as identified by the National Bureau of Statistics of China, 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 Nanfang”	湖南南方水泥有限公司 (Hunan Nanfang Cement Limited Company)
“Hunan SASAC”	湖南省人民政府國有資產監督管理委員會(State Owned Assets Supervision and Administration Commission of People’s Government of Hunan Province)
“Jianfeng Group”	浙江尖峰集團股份有限公司(Zhejiang Jianfeng Group Company Limited)
“Jiangxi Wannianqing”	江西萬年青水泥股份有限公司(Jiangxi Wannianqing Cement Company Limited)
“Jushi Group”	巨石集團有限公司(Jushi Group Company Limited)
“Liberty TOLI”	常州麗寶第東理建材有限公司(Changzhou Liberty TOLI Building Material Company Limited)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Lunan China United”	魯南中聯水泥有限公司(Lunan China United Cement Company Limited)
“Nanfang Cement”	南方水泥有限公司(Nanfang Cement Company Limited)
“Nanfang Jianfeng”	浙江南方尖峰水泥有限公司 (Zhejiang Nanfang Jianfeng Cement Company Limited)
“Nanfang Wannianqing”	南方萬年青水泥有限公司 (Nanfang Wannianqing Cement Company Limited)



## DEFINITIONS

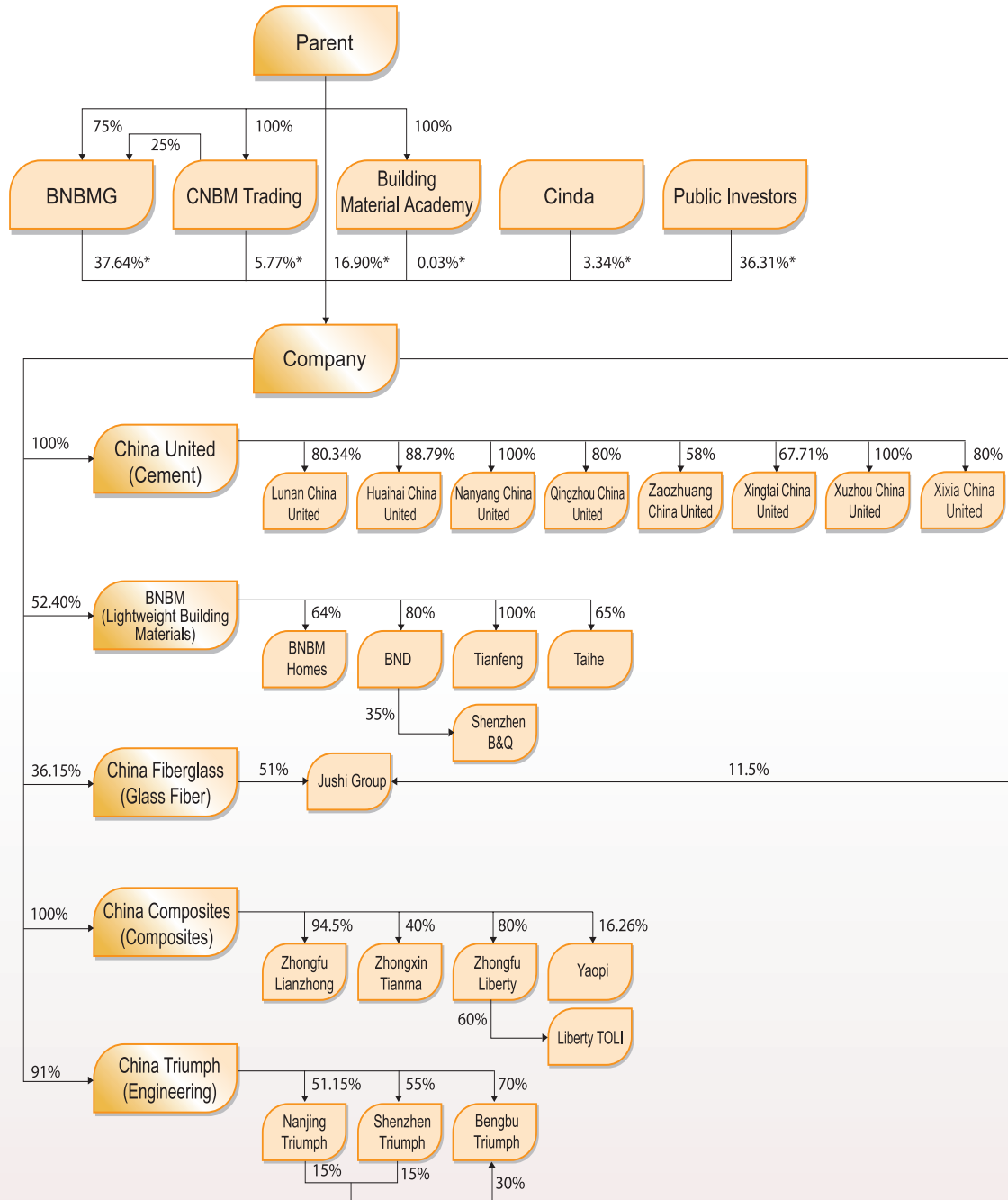
“Nanjing Triumph”	南京凱盛水泥技術工程有限公司(China Triumph Nanjing Cement Technological Engineering Company Limited)
“Nanyang China United”	中國聯合水泥有限責任公司南陽分公司(China United Nanyang Company)
“NDRC”	中華人民共和國國家發展和改革委員會(the National Development and Reform Commission)
“NSP”	new suspension preheater dry process
“Parent”	中國建築材料集團公司(China National Building Material Group Corporation)
“Parent Group”	collectively, Parent and its subsidiaries (excluding the Group)
“Qingzhou China United”	青洲中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
“RMB”or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Report period”	the period from 1 January 2007 to 30 June 2007
“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 the Share(s)
“Shenzhen B&Q”	深圳百安居裝飾建材有限公司(Shenzhen B&Q Decoration & Building Materials Company Limited)
“Shenzhen Triumph”	深圳市凱盛科技工程有限公司(CTIEC Shenzhen Scieno-tech Engineering Company Limited)
“South East Region”	the south east region of the PRC, including but not limited to Zhejiang, Jiangsu, Shanghai, Hunan and Fujian
“State”, “state”, “PRC Government” or “PRC government”	the government of the PRC all political including subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the members of the supervisory committee of the Company
“Taihe”	山東泰和東新股份有限公司(Shandong Taihe Dongxin Company Limited)
“Taishan Cement”	泰山水泥集團有限公司(Taishan Cement Group Company Limited)

# DEFINITIONS

“Tianfeng”	蘇州天豐新型建材有限責任公司(Suzhou Tianfeng New Building Material Company Limited)
“Xixia China United”	西峽中聯水泥有限公司(Xixia China United Cement Company Limited)
“Xinyi Group”	信義超薄玻璃(東莞)有限公司 (Xinyi Ultrathin Glass (Dongguan) Company Limited)
“Xuzhou China United”	徐州中聯水泥有限公司(Xuzhou China United Cement Company Limited)
“Yaopi”	上海耀華皮爾金頓玻璃股份有限公司(Shanghai Yaohua Pilkington Glass Co., Ltd.)
“Zaozhuang China United”	棗莊中聯水泥有限公司(Zaozhuang China United Luhong Cement Co., Ltd)
“Zhejiang Bangda Investment”	浙江邦達投資有限公司(Zhejiang Bangda Investment Company Limited )
“Zhejiang Jianfeng”	浙江尖峰水泥有限公司(Zhejiang Jianfeng Cement Company Limited)
“Zhongfu Lianzhong”	連雲港中復連眾複合材料集團有限公司(Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
“Zhongfu Liberty”	常州中復麗寶第複合材料有限公司(Changzhou China Composites Liberty Company Limited)
“Zhongxin Tianma”	常州中新天馬玻璃纖維製品有限公司(Changzhou China Composites Tianma Fiberglass Products Company Limited)
“Xingtai China United”	邢台中聯水泥有限公司(Xingtai China United Cement Company Limited)

# Shareholding Structure of the Group

The following chart sets out the simplified corporate structure of the Group's principal business as at 30 June 2007:



(1) All the above percentages are calculated by rounding to two decimal places

# FINANCIAL HIGHLIGHTS

The table below sets out the financial highlights for the six months ended 30 June 2007 and the comparative figures for the same period in 2006:

	For the six months ended 30 June	
	2007 (unaudited)	2006 (unaudited)
	(RMB in thousands)	
Revenue	3,643,541	2,703,484
Gross profit	724,964	500,053
Loss from share conversion of a subsidiary	0	202,624 <sup>(1)</sup>
Loss from share conversion of an associate	0	11,210 <sup>(2)</sup>
Profit after taxation	336,524	61,976 <sup>(3)</sup>
Profit attributable to equity holders of the Company	256,416	(2,277) <sup>(4)</sup>
Distribution made to the equity holders of the Company	67,123	80,382
Earnings per share - basic (RMB) <sup>(5)</sup>	0.124	(0.001) <sup>(6)</sup>

Notes:

- (1) Represents the loss incurred from the consideration offered by the Company for the share conversion of BNBM.
- (2) Represents the loss incurred from the consideration offered by China Composites for the share conversion of Yaopi.
- (3) If the losses from the share conversion of BNBM and Yaopi have not been taken into account, the Company's profit after taxation would be RMB258,579,000.
- (4) If the losses from the share conversion of BNBM and Yaopi have not been taken into account, profit attributable to equity holders of the Company would be RMB193,008,000.
- (5) 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 1,769,406,077 shares for the six months ended 30 June 2006 and 2,071,700,000 shares for the six months ended 30 June 2007.
- (6) If the losses from the share conversion of BNBM and Yaopi have not been taken into account, the Company's basic earnings per share would be RMB0.11.

# FINANCIAL HIGHLIGHTS

	<b>As at 30 June 2007 (unaudited) (RMB in thousands)</b>	<b>As at 31 December 2006 (audited)</b>
Total assets	<b>16,185,856</b>	13,990,314
Total liabilities	<b>10,373,516</b>	8,276,060
Net assets	<b>5,812,340</b>	5,714,254
Minority interests	<b>1,415,863</b>	1,507,224
Equity attributable to equity holders of the Company	<b>4,396,477</b>	4,207,030
Net assets per share - weighted (RMB) <sup>(1)</sup>	<b>2.12</b>	2.19
Debts to assets ratio <sup>(2)</sup>	<b>47.7%</b>	43.2%
Net debt / equity ratio <sup>(3)</sup>	<b>110.3%</b>	78.7%

*Notes:*

- (1) *The calculations of weighted average net assets per share are based on the profit attributable to equity holders of the Company for each period and on the weighted average number of 1,769,406,077 shares for the six months ended 30 June 2006 and 2,071,700,000 shares for the six months ended 30 June 2007.*
- (2) *Debt to assets ratio = total borrowings / total assets x 100%*
- (3) *Net debt/equity ratio = (total borrowings - bank balances and cash) / (minority interests + equity attributable to equity holders of the Company) x 100%*

# BUSINESS HIGHLIGHTS

The major operating data of each business segment for the six months ended 30 June 2006 and 30 June 2007 are set out below:

## CEMENT SEGMENT

	For the six months ended 30 June	
	2007	2006
Production volume - cement (in thousand tonnes)	5,326.8	3,822.0
Production volume - clinker (in thousand tonnes)	6,028.9	3,726.5
Sales volume - cement (in thousand tonnes)	5,284.5	3,809.4
Sales volume - clinker (in thousand tonnes)	2,469.5	712.4
Average selling price - cement (RMB per tonne)	189.0	182.8
Average selling price - clinker (RMB per tonne)	156.0	151.2

## LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the six months ended 30 June	
	2007	2006
<b>Gypsum boards - BNBM</b>		
Production volume (in million m <sup>2</sup> )	35.8	23.1
Sales volume (in million m <sup>2</sup> )	25.6	28.3
Average selling price (RMB per m <sup>2</sup> )	6.17	6.32
<b>Gypsum boards - Taihe</b>		
Production volume (in million m <sup>2</sup> )	96.3	86.4
Sales volume (in million m <sup>2</sup> )	101.9	82.6
Average selling price (RMB per m <sup>2</sup> )	4.08	4.05
<b>Acoustical ceiling panels - BNBM</b>		
Production volume (in million m <sup>2</sup> )	2.6	2.7
Sales volume (in million m <sup>2</sup> )	2.7	2.5
Average selling price (RMB per m <sup>2</sup> )	17.3	16.7
<b>Acoustical ceiling panels - Tianfeng</b>		
Production volume (in million m <sup>2</sup> )	1.8	4.4
Sales volume (in million m <sup>2</sup> )	1.8	4.0
Average selling price (RMB per m <sup>2</sup> )	7.61	7.13
<b>Lightweight metal frames</b>		
Production volume (in thousand tonnes)	14.1	12.5
Sales volume (in thousand tonnes)	15.1	14.7
Average selling price (RMB per tonne)	5,846.5	5,725.5

# BUSINESS HIGHLIGHTS

## GLASS FIBER AND FRP PRODUCTS SEGMENT

	For the six months ended 30 June	
	2007	2006
<b>Rotor blade</b>		
Production volume (in blade)	167.0	—
Sales volume (in blade)	189.0	—
Average selling price (RMB per blade)	428,339	—
<b>FRP Products</b>		
Production volume (in thousand tonnes)	4.6	7.1
Sales volume (in thousand tonnes)	5.0	6.2
Average selling price (RMB per tonne)	19,794.9	14,264.4
<b>Glass Fiber Mats</b>		
Production volume (in million m <sup>2</sup> )	34.0	18.2
Sales volume (in million m <sup>2</sup> )	35.2	17.8
Average selling price (RMB per m <sup>2</sup> )	0.97	1.18

# Management Discussion and Analysis

The Group is mainly engaged in cement, lightweight building materials, glass fiber and FRP products and engineering services businesses. In terms of the current market positions, the Group is:

- the largest cement producer in the Huaihai Economic Zone of the PRC;
- the largest gypsum board producer in the PRC;
- a major manufacturer of glass fiber mats and rotor blades of MW level in the PRC;
- the largest glass fiber producer in Asia through China Fiberglass, an associate of the Company;
- an international engineering firm that provides design and/or EPC services for float glass production lines and NSP cement production lines in the PRC, which has designed and/or constructed approximately 50% of the float glass production lines in the PRC.

## INDUSTRY SUMMARY AND BUSINESS REVIEW

During the six months ended 30 June 2007, China's economy saw steady and rapid growth featuring improved efficiency and quality and better structural coordination. During the first half year, China recorded a GDP of RMB10,676.8 billion, representing a year-on-year increase of 11.5%; total fixed assets investment amounted to RMB5,416.8 billion, representing a year-on-year increase of 25.9% which was 3.9 percentage points less than the increase during the same period last year; total retail sales of consumer goods amounted to RMB4,204.4 billion, representing a year-on-year increase of 15.4% (with a growth of 16.0% for June), a record high since 1997. In addition, the building materials industry maintained its healthy growth in terms of production, sale and efficiency amidst a sound and fast-developing industrial landscape.

During the six months ended 30 June 2007, major operating indicators of the Group improved steadily as compared with the corresponding period last year. For the cement segment, following the acquisition of Taishan Cement by China United, the Group further achieved economies of scale in the Huaihai Economic Zone. Projects under construction were completed successively and the residual heat power generation project started during this period. For the lightweight building materials segment, the plan to establish gypsum board plants across the country progressed as scheduled. The production of rotor blades also witnessed smooth progress with the phase II project and the commencement of the direct-melt furnace production line for alkali-free glass fiber of 120,000 tonnes per annum of China Fiberglass in June 2007. The engineering services segment contracted for a majority of large- and medium-scaled glass projects in the PRC and signed a number of overseas contracts involving glass and cement projects, resulting in a significant growth in its cement engineering services while securing a high market share in the glass engineering technology market. Meanwhile, the Group also made positive progress in issuing corporate bonds, optimizing shareholding structure of business segments and enhancing internal management.



## INDUSTRY SUMMARY AND BUSINESS REVIEW (CONTINUED)

### Cement Segment

#### Review on the cement industry of the PRC in the first half of 2007

The cement industry experienced significant growth in the first half of 2007. With the accelerated restructuring programmes in the cement industry, NSP cement posted stable growth: the cement output amounted to 0.61 billion tonnes, representing a year-on-year increase of 13.4%; the clinker output for NSP cement amounted to 0.23 billion tonnes, representing a year-on-year increase of 19.45%, which accounted for 51.1% of total output, up 6.6% year-on-year. With the noticeable effect of energy-conservation and pollution reduction, residual-heat power generation projects accounted for an increasing share of cement fixed assets investment. With the acceleration of acquisitions and mergers by large corporations, cross-province acquisitions in contiguous regions involving conglomerates has also emerged.

#### Review on the Group's cement business in the first half of 2007

##### *Acquisition of Taishan Cement to sharpen the scale advantage*

As at the date of this report, China United successfully acquired 90% equity interest in Taishan Cement, thus improving the Group's cement and clinker outputs, thus achieving economies of scale and consolidating its leading position in the cement market in the Huaihai Economic Zone.

#### Successive completion of projects under construction

Projects including phase II project of Nanyang China United (daily capacity of 6,000 tonnes), phase II project of Zaozhuang China United (daily capacity of 2,500 tonnes), and phase I project of Qingzhou China United (daily capacity of 6,000 tonnes) all commenced production in the first half of 2007. Civil work of Xixia Grinding Station was basically completed, with equipment installation in smooth progress. The preliminary work for Linyi Grinding station, phase II project of Lianyungang Grinding station, phase II project of Fuyang Grinding Station and the technical innovation of the production lines of Huaihai China United with a daily capacity of 3,700 tonnes was basically completed.

#### Residual heat power generation projects started

The residual heat power generation project of Huaihai China United entered the trial run phase and was expected to be put into production at the end of July 2007. The invitation and evaluation of biddings for contracting for other five residual heat power generation projects of cement segment were basically completed.

#### Effect of management enhancement

On brand consolidation and marketing integration, the Group completed the consolidation and re-branding of all its cement subsidiaries. The newly-launched brand "CUCC" ("China United") won recognition and praise from consumers, which helped realize brand integration.

After consolidating the marketing operations of Huaihai China United, Xuzhou China United and the three nearby grinding stations in the southern market of Huaihai Economic Zone last year, the Group again consolidated the marketing operations of Lunan China United, Zaozhuang China United and Qingzhou China United and relevant grinding stations in the northern market of Huaihai Economic Zone. As such, the Group further strengthened the marketing synergy of its subsidiaries for major projects in the northern and southern parts of the Huaihai Economic Zone.

The Group continued strengthening the centralized procurement of staple raw materials and fuels, thus reducing the procurement costs.

# Management Discussion and Analysis

## **INDUSTRY SUMMARY AND BUSINESS REVIEW (CONTINUED)**

### **Lightweight Building Materials Segment**

#### **Review on the lightweight building materials industry in the first half of 2007**

With the implementation of China's energy conservation policies, increased public awareness about energy conservation, and the construction of projects relating to the Olympics projects, numerous construction projects with high energy conservation and environmental protection standards were launched, which created a more favorable market for the lightweight building materials industry.

#### **Review on the Group's lightweight building materials business in the first half of 2007**

Steadily expediting the construction of nationwide industrial bases to speed up the industry layout

In line with the development strategy of the Group, BNBM steadily expedited the construction of nationwide industrial bases, accelerating the construction pace of the gypsum board production lines of nationwide industrial bases with substantive progress.

Strengthening marketing to make significant progress in major landmark projects

In view of the positive effect and market influence of the application of "Dragon-branded" products in major landmark projects including the Olympic Stadiums named "Bird's Nest", "Water Square", the Shanghai Global Financial Center and the Venice Hotel of Macau, BNBM improved its marketing expertise and won high recognition from customers, generating significant sales from major landmark projects in local markets by strengthening its market promotion, as well as capitalising on its combined advantages of brand influence and technical strength.

### **Glass Fiber and FRP Products Segment**

#### **Review on the glass fiber and FRP products industry in the first half of 2007**

FRP products industry

The first half of 2007 saw a strong growth in total output, sales revenue and gross profit in the PRC's FRP industry when compared to the same period last year.

Glass fiber industry

The PRC's glass fiber industry achieved rapid growth in the first half of 2007, coupled with the fully-loaded production across the industry, surging sales and under-supplying with certain products. The output of glass fiber of the PRC increased year-on-year by approximately 27.3% to approximately 820,000 tonnes, while sales-output ratio increased year-on-year by approximately 0.6% to approximately 99.5%.

The total output of the major three domestic glass fiber manufacturers as led by China Fiberglass accounted for approximately half of the total industry output.

# Management Discussion and Analysis

## **INDUSTRY SUMMARY AND BUSINESS REVIEW (CONTINUED)**

### **Review on the Group's glass fiber and FRP products business in the first half of 2007**

#### FRP product business

The Group focused on expanding the capacity of its rotor blade project to annual capacity of 1,200 blades by the end of the year. As at the end of June 2007, 167 rotor blades of 1.5MW have been produced.

#### Glass fiber business

The direct-melt furnace production line for alkali-free glass fiber of 120,000 tonnes per annum of the Group, representing the largest capacity in the world, had commenced production during the six months ended 30 June 2007. In addition, new production lines were constructed smoothly and there was a shortage of glass fiber products. The Group expanded its output, increased revenue, reduced expenses and consumption through technical innovation. Meanwhile, by adjusting the product mix, marketing system and strategy, it also managed to secure its supply to the high-end market whilst satisfying its other customers.

### **Engineering Services Segment**

#### **Review on the Group's engineering services segment in the first half of 2007**

##### Fast growth both in glass and cement engineering services

During the six months ended 30 June 2007, China Triumph contracted for a majority of large- and medium-scaled glass projects in the PRC, and consolidated its advantages in the domestic high-end glass technology market. As for the international market, it signed a number of contracts concerning glass and cement EPC projects, technical services and foreign trade involving the India, Vietnam and Russia markets and further leveraged upon its comprehensive advantages. The Company made a breakthrough in cement engineering service while maintaining its high market share in the glass engineering market. The 6000t/d cement EP project of Nghi Son Cement Company is the largest and the most advanced cement EPC project with the highest contractual amount undertaken by the Chinese building materials industry in Vietnam so far, enhancing the importance of China Triumph in the building materials engineering market and the EPC sector.

##### Strengthening proprietary innovations to enhance core competitiveness

The EPC contract involving the pure low temperature residual heat power generation project for float glass production line entered into by China Triumph and Xinyi Group was China's first EPC project that leveraged proprietary technologies in residual-heat power generation in a glass plant. This project is an important model for the glass industry economy and is of great significance to the promotion of energy conservation and pollution reduction within the industry.

# Management Discussion and Analysis

## OUTLOOK FOR THE SECOND HALF OF 2007

During the second half of 2007, the Group will make an effort to improve key performance indicators such as the production and sales volume, utilization rate of production capacity, product sales prices and return on net assets which are of concern to investors, aiming at steadily reducing costs. The Group will also actively expedite the acquisition, merger and restructuring projects to ensure further low-cost expansion and to boost industry consolidation, restructuring and integration of regional markets and resources. Regarding its business segments, the Group expects to speed up its projects under construction in order to expand the principal operation scale, expand its market share in domestic and overseas markets, and secure a leading position in the relevant sectors.

### Cement Segment

The Group will strengthen its management of production lines, implement better technical synergy to improve the utilization rate of the production capacity of cement and clinker by maximizing the capacity of its production lines. It is well positioned to reinforce marketing integration by enhancing its pricing ability in regional markets, maximizing the product prices and sales profit margin and reducing the product cost by enlarging the scope of centralized procurement.

The Company intends to select the South East Region as the major area for further expansion in light of its long-term development strategy. The Company intends to establish Nanfang Cement, which will integrate its activities in the South East Region and serve as its flagship company for the development of the cement segment in the South East Region.

### Lightweight Building Materials Segment

By accelerating the construction of its projects and improving project management, the Group plans to extend the reach of its gypsum boards nationwide. It will strengthen brand building and seek to add value to its products in order to consolidate the competitiveness and influence of its “Dragon” brand and “Taishan” brand in the product market.

### Glass Fiber and FRP Products Segment

#### FRP Products Business

The Group will speed up the construction of its projects, and strengthen research and development and innovation to reduce costs without compromising on product quality with a view to attaining greater market share and better operating performance.

#### Glass fiber business

The Group will continue investing in research and development and innovation to enhance product quality, improve production efficiency and further reduce costs. The Group seeks to focus on reforming the growth of marketing, adjusting its domestic and overseas sales and product prices so as to proactively address the negative impact from Renminbi appreciation and the decrease in tax refund rate.

### Engineering Services Segment

The Group strives to consolidate its position in the high-end glass engineering market while expanding its cement engineering market share. In this regard, the Group will maintain strict control of cost, monitor the progress of existing project and ensure project quality, construction safety and the collection of project payments as scheduled.

## FINANCIAL REVIEW

For the six months ended 30 June 2007, our unaudited consolidated revenue grew by 34.8% to RMB3,643.5 million from RMB2,703.5 million for the six months ended 30 June 2006. Our unaudited profit attributable to equity holders of the Company increased to RMB256.4 million for the six months ended 30 June 2007 from a loss of RMB2.3 million for the six months ended 30 June 2006. However, the latter had taken into account the loss of RMB202.6 million from the consideration paid by the Company for the share conversion of BNBM, and the loss of RMB11.2 million from the consideration paid by China Composites for the share conversion of Yaopi. Excluding such losses, our profit attributable to equity holders of the company for the six months ended 30 June 2006 would be RMB193.0 million, representing an increase of 32.9%.

### Revenue

Our revenue for the six months ended 30 June 2007 amounted to RMB3,643.5 million, representing an increase of 34.8% from RMB2,703.5 million for the six months ended 30 June 2006, which was primarily attributable to an increase of RMB586.4 million in revenue from our cement segment, an increase of RMB288.2 million in revenue from our engineering services segment and an increase of RMB112.7 million in revenue from glass fiber and FRP products segment.

### Cost of sales

Our cost of sales for the six months ended 30 June 2007 amounted to RMB2,918.6 million, representing an increase of 32.5% from RMB2,203.4 million for the six months ended 30 June 2006, which was primarily attributable to an increase of RMB441.4 million in cost of sales from our cement segment, an increase of RMB231.6 million in cost of sales from our engineering services segment and an increase of RMB91.3 million in cost of sales from our glass fiber and FRP products segment.

### Other Income

The Group's other income decreased by 5.0% to RMB181.8 million for the six months ended 30 June 2007 from RMB191.4 million for the six months ended 30 June 2006. The decrease is mainly due to interest income of RMB56.7 million arising from over-subscription of public offering of the Company's shares for the six months ended 30 June 2006 and the decrease of 97.6% in the Group's exempted accounts payable to RMB0.5 million for the six months ended 30 June 2007 from RMB19.1 million for the six months ended 30 June 2006, yet partially offset by the increase of 450.2% to RMB 36.4 million in the change in fair value of held-for-trading investments for the six months ended 30 June 2007 from RMB 6.6 million for the six months ended 30 June 2006, and the increase of 1528.9% to RMB 29.4 million in the Group's government grants for the six months ended 30 June 2007 from RMB1.8 million for the six months ended 30 June 2006.

### Selling and distribution costs

Selling and distribution costs increased by 44.2% to RMB214.0 million for the six months ended 30 June 2007 from RMB148.4 million for the six months ended 30 June 2006, primarily due to an increase of RMB18.2 million in packaging costs of the Group, an increase of RMB17.3 million in transportation costs and an increase of RMB9.5 million in loading cost arising from increased sales volume of major products, as well as an increase of RMB5.4 million in maintenance fee.

### Administrative and other expenses

Administrative and other expenses increased by 28.9% to RMB225.3 million for the six months ended 30 June 2007 from RMB174.7 million for the six months ended 30 June 2006, primarily attributable to an increase of RMB5.5 million in labor insurance fee, an increase of RMB5.4 million in salary, an increase of RMB5.2 million in office expenses, an increase of RMB2.3 million for amortization of intangible assets, an increase of RMB2.1 million for research and technological development fees and an increase of RMB1.8 million for advisory fees.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Financial costs

Finance costs increased by 37.1% to RMB147.5 million for the six months ended 30 June 2007 from RMB107.6 million for the six months ended 30 June 2006, primarily attributable to our increased short-term borrowings needed to support the increase in the business volume in each of our four business segments.

### Share of results of associates

Our share of profit of associates increased by 243.0% to RMB79.3 million for the six months ended 30 June 2007 from RMB23.1 million for the six months ended 30 June 2006, primarily due to an increase in China Fiberglass' share of profits of associates and the addition of Jushi Group as a new associate. The increase in net profit of China Fiberglass was mainly due to the increased output and sales volumes from the new production line commencing operation, which also resulted in an increase in operation profit.

### Income tax expense

Income tax expense increased by 680.4% to RMB62.7 million for the six months ended 30 June 2007 from RMB8.0 million for the six months ended 30 June 2006, primarily due to the increase in profit before taxation.

### Minority interests

Minority interests increased by 24.7% to RMB80.1 million for the six months ended 30 June 2007 from RMB64.3 million for the six months ended 30 June 2006, primarily due to the increase in operating profit in each of our business segments.

### Profit attributable to equity holders of the Company

As a result of the share conversion of BNBM and Yaopi, profit attributable to the equity holders of the Company increased to RMB256.4 million for the six months ended 30 June 2007 from RMB-2.3 million for the six months ended 30 June 2006. Our net profit margin increased to 7.0% for the six months ended 30 June 2007 from -0.1% for the six months ended 30 June 2006. If the effects of the share conversion of BNBM and Yaopi were excluded, profit attributable to the equity holders of the Company would increase by 32.9% to RMB256.4 million for the six months ended 30 June 2007 from RMB193.0 million for the six months ended 30 June 2006, and our net profit margin would decrease to 7.0% for the six months ended 30 June 2007 from 7.1% for the six months ended 30 June 2006.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Cement Segment

As at 30 June 2006, the cement segment of the Company acquired Xuzhou China United. A 6000t/d clinker production line in Qingzhou China United commenced production in May 2007. The operating results of the two companies above have been included in the financial results for the six months ended 30 June 2007 but were not included in the financial results for six months ended 30 June 2006. The following table sets out the revenue, cost of sales, gross profit, operating results of above two companies and the share of relevant items in the cement segment for the six months ended 30 June 2007.

	Xuzhou China United		Qingzhou China United	
	<i>RMB in millions</i>	Percentage in the total of the segment	<i>RMB in millions</i>	Percentage in the total of the segment
Revenue	344.4	24.6	69.6	5.0
Cost of sales	273.3	24.9	48.4	4.4
Gross profit	71.1	23.3	21.2	6.9
Operating profit	33.4	15.9	17.0	8.1

Save for the reasons as below, changes in the operating results of our cement segment for the six months ended 30 June 2007, as compared with the six months ended 30 June 2006, were also due to the inclusion of results of the above two subsidiaries.

### Revenue

Revenue for our cement segment increased by 71.9% to RMB1,402.3 million for the six months ended 30 June 2007 from RMB815.9 million for the six months ended 30 June 2006, mainly attributable to an increase of sales volume resulting from the grinding stations of Fuyang China United and Suqian China United commencing operation in June 2006 and August 2006, respectively, together with a slight increase in the average selling price of cement products.

### Cost of sales

Cost of sales in our cement segment increased by 67.3% to RMB1,096.7 million for the six months ended 30 June 2007 from RMB655.4 million for the six months ended 30 June 2006, mainly attributable to the increased sales volume of cement from the grinding stations of Fuyang China United and Suqian China United commencing operation and also an increase in cost of sales due to the hikes of coal prices and electricity tariffs.

### Gross profit and gross profit margin

Gross profit of our cement segment increased by 90.4% to RMB305.5 million for the six months ended 30 June 2007 from RMB160.5 million for the six months ended 30 June 2006. Gross profit margin of our cement segment increased from 19.7% for the six months ended 30 June 2006 to 21.8% for the six months ended 30 June 2007, mainly resulting from the increased average selling prices of cement products which are partially offset by the hikes in coal prices and electricity tariffs.

### Operating Profit

Operating profit for our cement segment increased by 137.6% to RMB210.5 million for the six months ended 30 June 2007 from RMB88.6 million for the six months ended 30 June 2006. Operating margin for the segment increased to 15.0% for the six months ended 30 June 2007 from 10.9% for the six months ended 30 June 2006, primarily due to the increased gross profit margin and an increase in other income from the increased government grants.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Lightweight Building Materials Segment

#### Revenue

Revenue for our lightweight building materials segment decreased by 3.1% to RMB1,215.3 million for the six months ended 30 June 2007 from RMB1,254.2 million for the six months ended 30 June 2006. It is mainly due to a decrease of RMB72.6 million in the revenue of BND for the reporting period, partially offset by the increase in Taihe's revenue. The decrease in revenue of BND was due to a decrease in its export business due to unfavourable changes to China's export tax refund policies.

The table below sets out revenues for the three major products of the Group's dry wall and ceiling system respectively for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June		
	2007	2006	Change
	(RMB in millions)		(%)
Gypsum boards	573.9	513.3	11.8
Acoustical ceiling panels	60.5	70.1	-13.6
Lightweight metal frames	88.0	84.1	4.7
Total	722.4	667.5	8.2

#### Cost of sales

Cost of sales for our lightweight building materials segment decreased by 3.5% to RMB1,017.3 million for the six months ended 30 June 2007 from RMB1,053.7 million for the six months ended 30 June 2006, mainly due to the decrease in cost of sales of BND, which resulted from a decrease in export business.

The table below sets out cost of sales for the three major products of the Group's dry wall and ceiling system respectively for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June		
	2007	2006	Change
	(RMB in millions)		(%)
Gypsum boards	429.2	390.6	9.9
Acoustical ceiling panels	57.4	62.7	-8.5
Lightweight metal frames	71.6	62.6	14.3
Total	558.2	515.9	8.2



# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Lightweight Building Materials Segment (Continued)

#### Gross profit and gross profit margin

Gross profit for our lightweight building materials segment decreased by 1.2% to RMB198.0 million for the six months ended 30 June 2007 from RMB200.5 million for the six months ended 30 June 2006.

The table below sets out gross profit for the three major products of the Group's dry wall and ceiling system respectively for the six months ended 30 June 2006 and 2007:

	For the six months ended 30 June		
	2007	2006	Change
	(RMB in millions)		(%)
Gypsum boards	144.7	122.7	18.0
Acoustical ceiling panels	3.1	7.4	-58.0
Lightweight metal frames	16.4	21.5	-23.5
Total	164.2	151.6	8.4

Gross profit margin for our lightweight building materials segment increased to 16.3% for the six months ended 30 June 2007 from 16.0% for the six months ended 30 June 2006, primarily attributable to the increased proportion of revenue from gypsum boards (a major product with a higher gross margin than that of other products in our lightweight building materials segment).

#### Operating profit

Operating profit for our lightweight building materials segment increased by 3.4% to RMB149.3 million for the six months ended 30 June 2007 from RMB144.4 million for the six months ended 30 June 2006. Operating profit margin of the segment increased from 11.5% for the six months ended 30 June 2006 to 12.3% for the six months ended 30 June 2007, which was principally due to a growth of gross profit margin and an appreciation in fair value of the investments held for trading, contributing to the increase of other income.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Glass Fiber and FRP Products Segment

#### Revenue

Revenue for our glass fiber and FRP products segment increased by 81.8% to RMB250.4 million for the six months ended 30 June 2007 from RMB137.7 million for the six months ended 30 June 2006, primarily due to an increase of RMB89.8 million in revenue from the new business of rotor blades in the glass fiber and FRP products segment during the reporting period as compared with the same period last year. In addition, revenue of glass fiber mats represented an increase of RMB13.2 million, revenue of shipping business represented an increase of RMB4.2 million and revenue of FRP pipes and tanks business represented an increase of RMB9.7 million, which was partially offset by a revenue decrease of RMB3.0 million in plastic floor products business. The decrease in revenue from plastic floor products business was primarily due to the decrease in sales volume of the production line of Liberty TOLI resulting from its location transfer.

#### Cost of sales

The cost of sales for our glass fiber and FRP products segment increased by 95.4% to RMB187.0 million for the six months ended 30 June 2007 from RMB95.7 million for the six months ended 30 June 2006. This was mainly due to a cost increase of RMB67.4 million in our rotor blade business, a new glass fiber business and FRP products segment during the reporting period. In addition, cost from our FRP pipes and tanks business represented an increase of RMB13.5 million, cost from our glass fiber mats business represented an increase of RMB10.5 million and shipping business cost represented an increase of RMB0.8 million, as partially offset by the decrease of RMB0.9 million in cost from our plastic floor product business.

#### Gross profit and gross profit margin

Gross profit for our glass fiber and FRP products segment increased by 50.9% to RMB63.4 million for the six months ended 30 June 2007 from RMB42.0 million for the six months ended 30 June 2006. Gross profit margin for our glass fiber and FRP products segment decreased by 25.3% for the six months ended 30 June 2007 from 30.5% million for the six months ended 30 June 2006. The decrease in gross margin was primarily due to the decrease in glass fiber mats and plastic floor product business.

#### Operating profit

Operating profit for our glass fiber and FRP products segment increased by 69.1% to RMB30.8 million for the six months ended 30 June 2007 from RMB18.2 million for the six months ended 30 June 2006. The operating margin for the segment decreased to 12.3% for the six months ended 30 June 2007 from 13.2% for the six months ended 30 June 2006, primarily due to a decrease in gross profit margin.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Engineering Services Segment

#### Revenue

Revenue for our engineering services segment increased by 53.8% to RMB823.4 million for the six months ended 30 June 2007 from RMB535.2 million for six months ended 30 June 2006, primarily due to a greater number of new and ongoing projects. For the six months ended 30 June 2007, the Group provided services pursuant to 63 contracts, while for the six months ended 30 June 2006 the number was 52.

#### Cost of Sales

Cost of sales for our engineering services segment increased by 53.4% to RMB665.2 million for the six months ended 30 June 2007 from RMB433.7 million for six months ended 30 June 2006, primarily due to a greater number of new and ongoing projects.

#### Gross profit and gross profit margin

Gross profit for our engineering services segment increased by 55.8% to RMB158.2 million for the six months ended 30 June 2007 from RMB101.6 million for six months ended 30 June 2006, primarily due to the increase in the number of new and ongoing projects in 2007. Gross margin for our engineering services segment increased to 19.2% for the six months ended 30 June 2007 from 19.0% for the six months ended 30 June 2006, primarily due to the increased gross margin for EPC projects which account for an enlarged percentage in our project mix.

#### Operating Profit

Operating profit for our engineering services segment increased by 66.2% to RMB109.7 million for the six months ended 30 June 2007 from RMB66.0 million for the six months ended 30 June 2006, and operating margin for the segment increased to 13.3% for the six months ended 30 June 2007 from 12.3% for the six months ended 30 June 2006, primarily due to its increase of gross profit margin.

### Liquidity and Financial Resources

As at 30 June 2007, the Group had aggregate unused banking facilities of approximately RMB1,436.6 million.

The table below sets out our borrowings as at the date indicated:

	30 June 2007	31 December 2006
	<i>(RMB in millions)</i>	
Bank loans	6,660.3	5,971.6
Bonds	1,000.0	0.0
Other unsecured borrowings from non-financial institutions	65.7	76.6
<b>Total</b>	<b>7,726.0</b>	<b>6,048.2</b>

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Liquidity and Financial Resources (Continued)

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

	30 June 2007	31 December 2006
	<i>(RMB in millions)</i>	
Borrowings are repayable as follows:		
within one year or on demand	3,900.2	3,595.7
between one and two years	1,287.3	515.2
between two and three years	779.9	887.8
between three and five years (inclusive of both years)	587.3	888.0
over five years	1,171.4	161.5
Total	7,726.0	6,048.2

As at 30 June 2007, the Group's borrowings in the amount of RMB4,945.2 million carried fixed interest rates.

As at 30 June 2007, bank loans in the amount of RMB443.7 million were secured by certain assets with total carrying value of RMB851.5 million.

As at 31 December 2006 and 30 June 2007, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 43.2% and 47.7%, respectively. The increase in this ratio was mainly due to increasing bank credit of the Group and the new issue of corporate bonds during the period to meet the need for growing working capital and to finance the enlarged business (including capital investment and acquisition). The Group has taken measures to decrease its financial leverage and liability level while concentrating on availability of operating funds, applying prudence in its capital investment and implementing unified control on capital expenses.

### Exchange Risks

Almost all of the Group's businesses were operated in Renminbi. The Group is not exposed to any significant exchange risks. The Group may be exposed to an exchange risk in the event that the remaining proceeds for its public offering are remitted to domestic financial institutions.

### Contingent Liabilities

As at the balance sheet date, the Group had no contingent liability.

### Capital Commitments

The following table sets out our capital commitments as at the balance sheet date:

	As at 30 June 2007
	<i>(RMB in millions)</i>
Capital expenditure of the Group in respect of acquisition of subsidiaries contracted for but not provided in the financial statements	198.6
Capital expenditure of the Group in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	217.8

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### Capital Expenditures

The following table sets out our capital expenditures in fixed assets investment for the six months ended 30 June 2007 by segment:

	For six months ended 30 June 2007	
	(RMB in millions)	% of total
Cement	391.9	60.9
Lightweight building materials	136.3	21.2
Glass fiber and FRP products	101.6	15.8
Engineering services	5.7	0.9
Others	8.2	1.3
Total	643.7	100

### Bank Balances and Cash

Our total bank balances and cash were RMB1,316.8 million as at 30 June 2007 and RMB1,549.1 million as at 31 December, 2006.

### Cash Flow from Operating Activities

For the six months ended 30 June 2007, our net cash inflow generated from operating activities was RMB154.5 million. Such inflow was primarily due to RMB591.2 million of cash flow from operating activities before the change in working capital, a RMB399.7 million increase in trade payable and other payables, offset primarily by a RMB506.7 million increase in trade receivables and other receivables and a RMB283.8 million increase in inventories.

### Cash Flow from Investing Activities

For the six months ended 30 June 2007, our net cash outflow from investing activities was RMB1,826.3 million, which was primarily due to an increase of RMB662.5 million for paid deposits, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments in a total amount of RMB619.6 million and RMB451.0 million for acquisition of interests in associates.

### Cash Flow from Financing Activities

For the six months ended 30 June 2007, we had a net cash inflow from financing activities in an amount of RMB1,439.2 million, primarily attributable to a total of RMB4,927.8 million in new borrowings, partially offset by RMB3,250.0 million for repayment of borrowings.

# Significant Events

## INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2007.

## MATERIAL TRANSACTIONS

### 1. Issue of domestic corporate bonds

As approved at the Company's first extraordinary general meeting for 2007 on 28 February 2007 and after approval of the NDRC dated 5 April 2007, the Company issued domestic corporate bonds amounting to RMB1,000,000,000 with a bond maturity of ten years ("Bond Issue"). Details of the Bond Issue were disclosed in the Company's announcement dated 4 January 2007 and the circular dated 12 January 2007 and the 2006 annual report. As at the date of this report, the issue of bonds has been completed.

### 2. Capital increase in Daye Jianfeng

On 16 April 2007, the Company entered into an investment agreement to subscribe for 40% of the enlarged registered capital of Daye Jianfeng for a consideration of RMB60,000,000. Details of the subscription by the Company for 40% equity interest in the enlarged registered capital of Daye Jianfeng were disclosed in the Company's announcement dated 16 April 2007 and the 2006 annual report. As at the date of this report, the capital increase has been completed.

### 3. Acquisition of Taishan Cement

China United entered into the equity transfer agreement with Xinwen Mining Group Company Limited to acquire 80% equity interest in Taishan Cement after its equity consolidation for a cash consideration of RMB307,180,000.

On 28 June 2007, China United entered into the supplemental agreement on equity transfer with Xinwen Mining Group Company Limited and Shandong Xinkuang Investment Holdings Group Company Limited for acquisition of additional 10% equity interest in Taishan Cement after its equity consolidation. China United will hold 90% equity interest in Taishan Cement upon completion of the supplemental agreement on Taishan equity transfer. The cash consideration of the interest to be acquired by China United increased from RMB307,180,000 to RMB345,570,000. The difference represented the additional amount to be paid by China United as consideration for the additional 10% equity interest in Taishan Cement it was acquiring.

Details of the acquisition by the Company of Taishan Cement were disclosed in the Company's announcements dated 18 April 2007 and 28 June 2007 and the circulars dated 30 April 2007 and 13 July 2007, and the 2006 annual report.

### 4. Placing of new H shares

On 9 August 2007, the Company entered into a placing agreement with Morgan Stanley & Co. International plc in relation to the placing of an aggregate of 149,749,187 overseas-listed foreign-invested shares of RMB1.00 each in the share capital of the Company at a gross price of HK\$17.80 per placing share and a net price of HK\$17.76 per placing share to not less than six independent professional, institutional and/or individual investors. The placing shares represent approximately 19.90% of the existing issued H share capital of the Company and approximately 16.60% of the issued H share capital of the Company as enlarged by the issue of the new shares. The net proceeds of the placing of the new shares were approximately HK\$2,657,000,000 after deducting the commission and expenses of the placing. The Company intends to use the net proceeds from the placing of the new shares for its business development, including the funding of any possible acquisitions (including but not limited to any acquisitions the Company may decide to make as a result of notifications to the Company by its Parent of business opportunities pursuant to the non-competition agreement dated 28 February 2006 between the Company and Parent).

Details of the Company's placing of new H shares were disclosed in the Company's announcement dated 9 August 2007.

## **MATERIAL TRANSACTIONS (CONTINUED)**

### **5. Establishment of Nanfang Cement**

On 17 August, 2007, the Company, Zhejiang Bangda Investment, Jiangxi Wannianqing, Hunan SASAC, Jianfeng Group and Beijing Huachen entered into the Capital Contribution Agreement with a view to establishing Nanfang Cement which will become the flagship company of the Group for developing the Group's cement business in the South East Region. The registered capital of Nanfang Cement will be RMB3.5 billion. Upon completion of the Capital Contribution as defined in the Company's announcement dated 17 August 2007, Nanfang Cement will be held as to 75% by the Company, 12.5% by Zhejiang Bangda Investment, 4% by Jiangxi Wannianqing, 3% by Hunan SASAC, 3% by Jianfeng Group and 2.5% by Beijing Huachen.

Details of establishment of Nanfang Cement were disclosed in the Company's announcement dated 17 August 2007.

### **6. Cooperation with Jiangxi Wannianqing**

On 17 August, 2007, the Company and Jiangxi Wannianqing entered into the Cooperation Agreement under which they agreed to invest, through Nanfang Cement, in Nanfang Wannianqing and inject certain cement operations and assets into Nanfang Wannianqing. Each of Nanfang Cement and Jiangxi Wannianqing have agreed to contribute RMB500 million by installments in cash, each representing 50% of the total registered capital of Nanfang Wannianqing.

Details of cooperation with Jiangxi Wannianqing were disclosed in the Company's announcement dated 17 August 2007.

### **7. Cooperation with Jianfeng Group and Zhejiang Jianfeng**

On 17 August, 2007, the Company, Jianfeng Group and Zhejiang Jianfeng entered into the Jianfeng Cooperation Agreement under which they agreed to invest, through Nanfang Cement, in Nanfang Jianfeng and inject certain cement operations and assets of Zhejiang Jianfeng into Nanfang Jianfeng. Nanfang Cement and Zhejiang Jianfeng agree to contribute by installments RMB260 million in cash and RMB140 million in assets and land use rights, representing 65% and 35% of the total registered capital of Nanfang Jianfeng, respectively.

Details of cooperation with Jianfeng Group and Zhejiang Jianfeng were disclosed in the Company's announcement dated 17 August 2007.

### **8. Cooperation with Hunan SASAC**

On 21 August 2007, the Company and Hunan SASAC entered into the Co-operation Agreement under which they agreed to establish, through Nanfang Cement, Hunan Nanfang, Hunan Nanfang will engage in the sale and manufacture of cement and related products. Nanfang Cement and Hunan SASAC agree to contribute RMB190 million in cash and RMB10 million in cash, representing 95% and 5% of the total registered capital of Hunan Nanfang respectively.

Details of cooperation with Hunan SASAC were disclosed in the Company's announcement dated 21 August 2007.

# Significant Events

## CONNECTED TRANSACTIONS

### 1. Continuing Connected Transactions

Details of connected transactions are set out in note 22 to the interim financial report. For details of connected transactions and relevant exemptions, please see the prospectus of the Company dated 13 March 2006 and the Company's 2005 Annual Report dated 21 April 2006 and 2006 Annual Report dated 23 April 2007.

The Group's transactions with the Parent Group cover mineral supply, mutual provision of production supplies and support services, supply of equipment and mutual provision of engineering services.

The Group also provides products and support services and engineering services to BNBM Homes, technical consultation services to Liberty Group Company and cement to Shandong Hengzhijiu Commercial Trade Company Limited.

The Group also purchases PVC from Beijing Chemical Company Limited, raw materials, water and electricity for the production of glass fiber products from Changzhou Tianma Group Company Limited, raw materials for the production of glass fiber products from Jushi Group, raw materials for the production of gypsum from Shandong Aobao Chemical Group Company Limited and coal from Hengzhijiu Commercial Trade Company Limited.

For the six months ended 30 June 2007, the Group's income from its supply of products and services to Parent Group amounted to approximately RMB32.9 million, representing approximately 0.9% of the total revenue of the Group for the corresponding period. The Group's expenses incurred from its receipt of products and services from Parent Group amounted to RMB53.1 million, representing approximately 2.0% of its total cost of sales for the corresponding period.

For the six months ended 30 June 2007, the Group's income from its supply of products and services to other connected parties amounted to approximately RMB22.5 million, representing approximately 0.6% of the total revenue of the Group for the corresponding period. The Group's expenses incurred from its receipt of products and services from other connected parties amounted to approximately RMB21.7 million, representing approximately 0.8% of its total cost of sales for the corresponding period.



## **CONNECTED TRANSACTIONS (CONTINUED)**

### **2. Non-exempt Connected Transactions**

#### Capital increase in Jushi Group

Details of the Company's subscription for 11.5% equity interest in the enlarged registered capital of Jushi Group were disclosed in the Company's announcement dated 5 January 2007 and the circular dated 25 January 2007 and the 2006 Annual Report. As at the date of this report, the transaction has been completed.

#### Acquisition of equity interest in China Composites

Details of the Company's acquisition of 23% equity interest in China Composites were disclosed in the Company's announcement dated 18 April 2007 and the 2006 Annual Report. As at the date of this report, the acquisition payment of equity interest has been paid up although alteration of administrative registrations have not been completed.

### **3. Revision of the 2007 Cap for Certain Continuing Connected Transactions with Parent Group**

Details of revision of the 2007 cap for certain continuing connected transactions with the Parent Group were disclosed in the Company's announcements dated 18 April 2007 and 18 June 2007 and the circular dated 30 April 2007.

On 16 April 2007, the Parent Group acquired 100% equity interest in Anxia Cement. Upon completion of the acquisition, Anxia Cement would become a subsidiary of the Parent, and thus a connected person of the Company. Therefore, as the limestone transactions between Anxia Cement and Zaozhuang China United, a subsidiary of the Company, would become a continuing connected transaction, the value of the transactions between them would be taken into account when calculating the 2007 Value. As approved during the annual general meeting on 15 June 2007, the 2007 cap for continuing connected transactions was increased to RMB131.3 million from RMB110 million.

# Significant Events

## CORPORATE GOVERNANCE

### 1. Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules of the Stock Exchange for the six months ended 30 June 2007.

### 2. Audit Committee

The audit committee of the Company ("Audit Committee") comprises 3 non-executive directors, including 2 independent non-executive directors, with appropriate professional qualification or accounting or related financial management experience. The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal control and risk management. The Audit Committee has reviewed the 2007 interim report of the Company.

### 3. Internal Control

In order to comply with relevant regulatory requirements, strengthen its internal control management and ensure healthy and effective internal control, the Company has formulated a series of internal management systems covering financial management, investment management, audit management, etc. The Board considered and approved the Code for Securities Transactions of China National Building Material Company Limited and the Information Disclosure System of China National Building Material Company Limited and the Investor Management Measures of China National Building Material Company Limited on 4 January 2007.

Pursuant to Rule C.2.1 of the Code, Directors also reviewed the effectiveness of the internal control system of the Company and its subsidiaries, which covered financial control, operation control, compliance control and risk management function control. The Company held a training program concerning directors, company secretary, connected transaction, the Code and information disclosure for relevant personnel in charge of finance, legal affairs and investment in all business segments on 19 June 2007, in order to ensure such personnel to learn the relevant regulatory rules, rationalize the Company's internal control procedures and processes and ensure rational operation and the achievement of the operating targets of the Company.

### 4. Model Code

The Company has adopted a set of code of practice on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry with all Directors, the Company confirms that each of the Directors has complied with the required standards set out in the Model Code during the reporting period.

## SHARE CAPITAL STRUCTURE

	As at 30 June 2007	
	Number of shares	Percentage of issued share capital
Domestic shares	1,319,366,000	63.69%
H share	752,334,000	36.31%
	2,071,700,000	100%

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

For the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

## MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2007.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Group had approximately 14,360 employees.

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

# Significant Events

## 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 for the Group's senior management officers, senior experts and specialists who make important contributions to the Group (the "Plan").

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 HK\$3.5 each unit to the senior management of the Company as follows:

	<b>Units of SA Rights granted</b>
Directors and a supervisor of the Company	<b>2,680,000</b>
Other senior management	<b>3,200,000</b>
	<b>5,880,000</b>

As the SA Rights vest at different amounts until the grantee has completed a specified period of service and no SA Rights were sold during the reporting period, the Company recognized the services received and a liability of RMB1,438,100 (2006: RMB1,156,000), being the estimated compensation paid for service rendered by the grantee during the reporting period.

## DISCLOSURE OF INTERESTS

### (1) 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”)

As at 30 June 2007, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the persons (other than the directors and supervisors of the Company) who have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Class of shares	Number of shares held	Approximate percentage in the relevant class of share capital <sup>2,5</sup> (%)	Approximate Percentage in total share capital <sup>2,5</sup> (%)
Parent <sup>1</sup>	Domestic	1,250,149,846 <sup>3</sup>	94.75	60.34
BNBMG <sup>1</sup>	Domestic	779,862,307 <sup>3</sup>	59.11	37.64
CNBM Trading <sup>1</sup>	Domestic	119,543,504 <sup>3</sup>	9.06	5.77
Cinda	Domestic	69,216,154 <sup>3</sup>	5.25	3.34
JPMorgan Chase & Co.	H Shares	157,833,148 <sup>3</sup>	20.98	7.62
	H Shares	62,073,148 <sup>4</sup>	8.25	3.00
Atlantis Investment Management Ltd	H Shares	61,926,000 <sup>3</sup>	8.23	2.99
Halbis Capital Management (Hong Kong) Limited	H Shares	52,924,000 <sup>3</sup>	7.03	2.55
Baring Asset Management Limited	H Shares	38,914,000 <sup>3</sup>	5.17	1.88
Northern Trust Fiduciary Services (Ireland) Limited	H Shares	38,914,000 <sup>3</sup>	5.17	1.88

# Significant Events

## DISCLOSURE OF INTERESTS (CONTINUED)

### (1) Substantial shareholders and persons who have an interest or short position discloseable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) (Continued)

Notes:

- 1 *Of these 1,250,149,846 shares, 350,128,232 shares are directly held by Parent, the remaining 900,021,614 shares are deemed corporate interest indirectly 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% equity interest in BNBMG, of which 75% is directly held and 25% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to own the shares directly held by BNBMG (779,862,307 shares), CNBM Trading (119,543,504 shares) and Building Materials Academy (615,803 shares).*
- 2 *As at 30 June 2007, the Company's total issued share capital comprises 2,071,700,000 shares, including 1,319,366,000 domestic shares and 752,334,000 H shares.*
- 3 *Long position.*
- 4 *Lending pool.*
- 5 *All the above percentages are calculated by rounding to two decimal places.*

Save as disclosed above, as at 30 June 2007, the Company was not aware of any other person who was deemed to or taken to have an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### (2) Interests and Short Positions of Directors and Supervisors

As at 30 June 2007, as far as the Company is aware, none of the Directors and Supervisors 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.

# Report On Review of Interim Financial Information

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 60, which comprises the condensed consolidated balance sheet of China National Building Material Company Limited as at 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

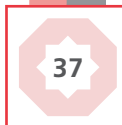
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

27 August 2007



# Interim Financial Report

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30 June	
		2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Revenue	3	3,643,541	2,703,484
Cost of sales		(2,918,577)	(2,203,431)
Gross profit		724,964	500,053
Other income	4	181,771	191,358
Selling and distribution costs		(214,001)	(148,370)
Administrative expenses		(206,519)	(170,338)
Other expenses		(18,742)	(4,367)
Share of profit of associates		79,271	23,112
Finance costs	5	(147,532)	(107,604)
Loss arising from share conversion schemes of:			
a subsidiary		—	(202,624)
an associate		—	(11,210)
Profit before tax	6	399,212	70,010
Income tax expense	7	(62,688)	(8,034)
Profit for the period		336,524	61,976
Attributable to:			
Equity holders of the Company		256,416	(2,277)
Minority interests		80,108	64,253
		336,524	61,976
Dividends	8	67,123	80,382
Earnings (loss) per share		RMB	RMB
– Basic	9	0.124	(0.001)



# Interim Financial Report

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	NOTES	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	7,525,360	7,063,105
Investment properties		277,771	281,006
Goodwill	11	258,072	253,907
Intangible assets	12	28,956	32,781
Interests in associates	13	1,351,558	854,404
Available-for-sale investments		51,868	52,897
Deposits	14	667,453	72,209
Land use rights	15	472,805	408,122
Deferred tax assets		37,276	34,885
		<b>10,671,119</b>	<b>9,053,316</b>
<b>Current assets</b>			
Inventories		1,120,246	834,020
Trade and other receivables	16	2,459,659	1,955,539
Held-for-trading investments	17	54,620	18,500
Amounts due from related parties	22	339,444	154,554
Pledged bank deposits	18	223,973	425,262
Bank balances and cash		1,316,795	1,549,123
		<b>5,514,737</b>	<b>4,936,998</b>
<b>Current liabilities</b>			
Trade and other payables	19	2,403,725	2,068,536
Amounts due to related parties	22	120,794	75,376
Borrowings - due within one year	20	3,900,152	3,595,734
Income tax payable		45,466	43,437
Dividend payable		31,206	—
		<b>6,501,343</b>	<b>5,783,083</b>
<b>Net current liabilities</b>		<b>(986,606)</b>	<b>(846,085)</b>
<b>Total assets less current liabilities</b>		<b>9,684,513</b>	<b>8,207,231</b>
<b>Non-current liabilities</b>			
Borrowings - due after one year	20	3,825,835	2,452,510
Deferred income		5,293	4,001
Deferred tax liabilities		41,045	36,466
		<b>3,872,173</b>	<b>2,492,977</b>
<b>Net assets</b>		<b>5,812,340</b>	<b>5,714,254</b>

# Interim Financial Report

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2007

	<b>30.6.2007</b> <i>RMB'000</i> <i>(unaudited)</i>	31.12.2006 <i>RMB'000</i> <i>(audited)</i>
Capital and reserves		
Share capital	<b>2,071,700</b>	2,071,700
Share premium and reserves	<b>2,324,777</b>	2,135,330
Equity attributable to equity holders of the Company	<b>4,396,477</b>	4,207,030
Minority interests	<b>1,415,863</b>	1,507,224
Total equity	<b>5,812,340</b>	5,714,254

# Interim Financial Report

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Exchange reserve	Retained earnings	Subtotal	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	2,071,700	1,070,506	507,518	129,731	—	1,733	425,842	4,207,030	1,507,224	5,714,254
Exchange differences arising on translation of overseas operations directly recognised in equity	—	—	—	—	—	154	—	154	104	258
Profit for the period	—	—	—	—	—	—	256,416	256,416	80,108	336,524
Total recognised income	—	—	—	—	—	154	256,416	256,570	80,212	336,782
Dividend	—	—	—	—	—	—	(67,123)	(67,123)	—	(67,123)
Dividends paid to the minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(50,946)	(50,946)
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(129,027)	(129,027)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	8,400	8,400
At 30 June 2007	2,071,700	1,070,506	507,518	129,731	—	1,887	615,135	4,396,477	1,415,863	5,812,340

# Interim Financial Report

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Statutory public welfare fund	Exchange reserve	Retained earnings	Subtotal	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	1,387,760	350	387,401	28,719	28,719	(1,082)	280,371	2,112,238	1,314,695	3,426,933
Exchange differences arising on translation of overseas operations	—	—	—	—	—	1,537	—	1,537	—	1,537
(Loss) profit for the period	—	—	—	—	—	—	(2,277)	(2,277)	64,253	61,976
Total recognised income and expenses	—	—	—	—	—	1,537	(2,277)	(740)	64,253	63,513
Shareholders' contribution	—	—	87,381	—	—	—	—	87,381	—	87,381
Forfeiture of dividends from minority shareholders of a subsidiary	—	—	405	—	—	—	—	405	520	925
Issue of shares	683,940	1,258,210	—	—	—	—	—	1,942,150	—	1,942,150
Share issue expenses	—	(188,054)	—	—	—	—	—	(188,054)	—	(188,054)
Dividend	—	—	—	—	—	—	(80,382)	(80,382)	—	(80,382)
Dividends paid to the minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(26,115)	(26,115)
Increase in minority interests as a result of a share conversion scheme of a subsidiary	—	—	—	—	—	—	—	—	115,242	115,242
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(5,877)	(5,877)
Decrease in minority interests as a result of disposal of subsidiaries	—	—	—	—	—	—	—	—	(911)	(911)
At 30 June 2006	2,071,700	1,070,506	475,187	28,719	28,719	455	197,712	3,872,998	1,461,807	5,334,805

# Interim Financial Report

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Net cash generated from operating activities</b>	<b>154,514</b>	243,114
<b>Investing activities</b>		
Deposits paid	(662,453)	—
Purchases of property, plant and equipment	(619,649)	(427,257)
Payments for land use right	(77,431)	(21,746)
Acquisition of interests in associates	(451,046)	(18,813)
Payments for acquisition of additional interests in subsidiaries (Advance to) repayment from related parties	(127,292)	(8,939)
(Advance to) repayment from related parties	(144,141)	45,396
Increase in pledged bank deposits	201,289	(554,445)
Acquisition of a subsidiary	—	(479,352)
Other investing activities	54,379	16,526
<b>Net cash used in investing activities</b>	<b>(1,826,344)</b>	(1,448,630)
<b>Financing activities</b>		
Interest paid	(167,034)	(107,604)
Issue of shares	—	1,942,150
Share issue expense	—	(188,054)
Dividend paid to shareholders	(37,856)	(87,319)
Dividend paid to minority shareholders by subsidiaries	(49,007)	(26,457)
Repayments of borrowings	(3,250,030)	(2,892,620)
New borrowings raised	4,927,773	3,357,427
Other financing activities	15,350	(18,361)
<b>Net cash generated from financing activities</b>	<b>1,439,196</b>	1,979,162
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(232,534)</b>	773,646
<b>Effect of foreign exchange rate changes</b>	<b>306</b>	1,536
<b>Cash and cash equivalents, at beginning of period</b>	<b>1,549,123</b>	932,580
<b>Cash and cash equivalents, at end of the period</b>		
Bank balances and cash	1,316,795	1,707,762

# Interim Financial Report

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board. The condensed consolidated financial statement should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (the "new IFRSs") issued by the International Accounting Standard Board ("IASB") that are effective for the Group's financial year beginning on or after 1 January 2007. The adoption of the new IFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

### Business segments

For management purpose, the Group is currently organised into four operating divisions - lightweight building materials, cement, engineering services and glass fiber and FRP products. 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 FRP product    | – | Production and sale of glass fiber and FRP products   |

Segment information about these business is presented below.

	Revenue		Contribution to segment results and profit before tax	
	Six months ended 30 June 2007 RMB'000 ( <i>unaudited</i> )	2006 RMB'000 ( <i>unaudited</i> )	Six months ended 30 June 2007 RMB'000 ( <i>unaudited</i> )	2006 RMB'000 ( <i>unaudited</i> )
<b>Segment revenue and results</b>				
Lightweight building materials	1,215,263	1,254,166	93,745	122,182
Cement	1,402,254	815,863	208,436	86,912
Engineering services	823,423	535,228	107,584	64,897
Glass fiber and FRP products	250,352	137,682	29,678	16,201
Inter-segment eliminations	(47,751)	(39,455)	(126)	(4,476)
	<b>3,643,541</b>	<b>2,703,484</b>	<b>439,317</b>	<b>285,716</b>
Unallocated other income			64,001	95,953
Unallocated administrative expenses			(35,845)	(13,333)
Share of profit of associates ( <i>note</i> )			79,271	23,112
Finance costs			(147,532)	(107,604)
Loss arising from share conversion schemes of:				
a subsidiary			—	(202,624)
an associate			—	(11,210)
Profit before tax			<b>399,212</b>	<b>70,010</b>

Note:

The share of profit of associates is further analysed by business segments as follows:

# Interim Financial Report

## 3. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Lightweight building materials	14,682	11,041
Engineering services	(2,332)	1,610
Glass fiber and FRP products	66,921	10,461
	79,271	23,112

## 4. OTHER INCOME

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Interest income (Note a)	14,890	78,379
Government subsidies (Note b)	101,469	58,329
Technical and other service income	8,824	12,366
Net rental income	12,085	12,836
Change in fair value of held-for-trading investments	36,370	6,610
Discount on acquisition of additional interest in subsidiaries	5,900	—
Other investment income	637	660
Others	1,596	22,178
	181,771	191,358

Notes:

- (a) Included in interest income for six months ended 30 June 2006 was an amount of approximately RMB56,701,000 arising from over-subscription of public offering of company's shares.
- (b) The Government subsidies mainly represent incentives in form of value added tax refund approved by relevant government authorities as a result of utilising industrial waste as part of the Group's raw materials.



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## 5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings and other borrowings wholly repayable within five years	167,034	122,353
Less: interest capitalised to construction in progress	(19,502)	(14,749)
	147,532	107,604

## 6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment and investment properties	162,373	133,736
Amortisation of intangible assets	4,367	1,565
Land use rights released to income statement	7,951	3,943
Share of income tax of associates included in the share of profit of associates	40,421	16,857
Net exchange Loss included in other expenses	12,875	382

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## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The tax charge (credit) comprises:		
Current People's Republic of China ("PRC") income tax	60,500	32,757
Deferred income tax	2,188	(24,723)
	<b>62,688</b>	<b>8,034</b>

PRC income tax is calculated at preferential tax rates of 15% of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulation in the PRC for both periods, except for certain subsidiaries of the Company, which are exempted or subject to the statutory rate in accordance with relevant tax rules and regulation in the PRC.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitle preferential tax rates may continue to enjoy the tax benefits. As detailed measures concerning the tax incentives have not issued by the State Council, the management of the Group is not yet in a position to assess the impact, if any. The Group will continue to evaluate the impact when more detailed regulations are announced.

## 8. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Dividend paid (note a)	67,123	80,382

Notes:

(a) During the period, a dividend of RMB0.0324 (Six months ended 30 June 2006: RMB0.0388) per share, amounting to RMB67,123,000 (Six months ended 30 June 2006: RMB80,382,000) was paid to shareholders as the final dividend for the immediate preceding financial year end.

(b) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

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## 9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings (loss) for the purposes of basic earnings per share	256,416	(2,277)

	Six months ended 30 June	
	2007	2006
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	2,071,700,000	1,765,627,403

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

## 10. PROPERTY, PLANT AND EQUIPMENT

The Group expended RMB596,265,000 in construction in progress, RMB12,489,000 in land and buildings, RMB8,157,000 in plant and machinery and RMB26,241,000 in motor vehicles during the six months ended 30 June 2007.

## 11. GOODWILL

	RMB'000
Balance at 1 January 2007 (audited)	253,907
Arising from acquisition of additional interest in a subsidiary	4,165
Balance at 30 June 2007 (unaudited)	258,072

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## 12. INTANGIBLE ASSETS

	<i>RMB'000</i>
Balance at 1 January 2007 (audited)	32,781
Additions during the period	542
Amortisation during the period	(4,367)
Balance at 30 June 2007 (unaudited)	28,956

## 13. INTERESTS IN ASSOCIATES

The increase of interests in associates is mainly due to the subscription of further 11.5% enlarged registered capital in Jushi Group Company Limited and 40% equity interests in Hubei Daye Jianfeng Cement Company Limited at a consideration of RMB359,841,000 and RMB60,000,000 respectively.

## 14. DEPOSITS

	<b>30.6.2007</b> <i>RMB'000</i> <i>(unaudited)</i>	31.12.2006 <i>RMB'000</i> <i>(audited)</i>
Investment deposits ( <i>note</i> )	<b>587,860</b>	5,000
Deposits paid to acquire property, plant and equipment	<b>12,600</b>	67,209
Deposits paid to acquire land use right	<b>66,993</b>	—
	<b>667,453</b>	72,209

*Notes: As at 30 June 2007, included in the investment deposits are amounts of RMB147,860,000 and RMB390,000,000 paid for acquisitions of 90% interest in Taishan Cement Group Company Limited and 100% interest in Zhejiang Cement Company Limited respectively.*

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## 15. LAND USE RIGHTS

	<i>RMB'000</i>	
Balance at 1 January 2007 (audited)		420,400
Additions during the period		77,431
Released to income statement		(7,951)
Balance at 30 June 2007 (unaudited)		489,880
Classification for reporting purpose:		
	<b>30.6.2007</b>	31.12.2006
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(audited)</b>
Non-current assets	<b>472,805</b>	408,122
Current assets included in trade and other receivables	<b>17,075</b>	12,278
	<b>489,880</b>	420,400

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## 16. TRADE AND OTHER RECEIVABLES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Trade receivable, net of allowance for bad and doubtful debt	1,155,324	798,978
Bills receivable	108,609	111,681
Amounts due from contract customers	164,490	142,913
Loans receivable	51,182	110,000
Other receivables, deposits and prepayments	980,054	791,967
	<b>2,459,659</b>	<b>1,955,539</b>

The Group normally allowed an average of credit period of 60 to 90 days to its trade customers.

The ageing analyses of trade receivables and bills receivable are as follows:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
<b>Trade receivables</b>		
Within two months	492,543	361,452
More than two months but within one year	457,196	269,854
Between one and two years	127,701	116,618
Between two and three years	68,582	35,965
Over three years	9,302	15,089
	<b>1,155,324</b>	<b>798,978</b>
<b>Bills receivable</b>		
Within six months	108,609	111,681

At 30 June 2007, the Group did not have bills receivable pledged to secure bank loans granted to the Group (31 December 2006: RMB63,228,000).

## 17. HELD-FOR-TRADING INVESTMENTS

	30.6.2007 <i>RMB'000</i> ( <i>unaudited</i> )	31.12.2006 <i>RMB'000</i> ( <i>audited</i> )
Quoted investment funds, at fair value	—	250
Listed equity share, at fair value	54,620	18,250
	<b>54,620</b>	<b>18,500</b>

## 18. PLEDGED BANK DEPOSITS

At 30 June 2007, the Group pledged RMB223,973,000 (at 31 December 2006: RMB425,262,000) to bankers of the Group to secure the banking facilities granted to the Group.

## 19. TRADE AND OTHER PAYABLES

	30.6.2007 <i>RMB'000</i> ( <i>unaudited</i> )	31.12.2006 <i>RMB'000</i> ( <i>audited</i> )
Trade payables	1,234,969	1,007,172
Bills payable	258,790	351,606
Provision for share appreciation rights	2,594	1,156
Amounts due to contract customers	35,402	—
Other payables	871,970	708,602
	<b>2,403,725</b>	<b>2,068,536</b>

The ageing analyses of trade payables and bills payable are as follows:

	30.6.2007 <i>RMB'000</i> ( <i>unaudited</i> )	31.12.2006 <i>RMB'000</i> ( <i>audited</i> )
<b>Trade payables</b>		
Within two months	731,033	534,105
More than two months but within one year	292,028	357,829
Between one and two years	168,285	91,121
Between two and three years	36,735	15,789
Over three years	6,888	8,328
	<b>1,234,969</b>	<b>1,007,172</b>
<b>Bills payable</b>		
Within six months	258,790	351,606

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## 20. BORROWINGS

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Bonds (note a)	1,000,000	—
Bank loans:		
Secured (note b)	443,700	766,839
Unsecured	6,216,622	5,204,740
Other unsecured borrowings from non-financial institution	7,660,322 65,665	5,971,579 76,665
	<b>7,725,987</b>	<b>6,048,244</b>

Note:

(a) 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. The repayment of the bonds is guaranteed by a bank in the PRC.

(b) The bank loans of RMB443,700,000 (31 December 2006: RMB766,839,000) are secured by the following assets of Group:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Property, plant and equipment	742,431	1,056,386
Land use rights	109,098	109,930
Bills receivables	—	63,228
	<b>851,529</b>	<b>1,229,544</b>

The borrowings are repayable as follows:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Within one year	3,900,152	3,595,734
Over one year	3,825,835	2,452,510
	<b>7,725,987</b>	<b>6,048,244</b>



## 21. CAPITAL COMMITMENTS

	<b>30.6.2007</b>	<b>31.12.2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Capital expenditure of the Group contracted for but not provided in the financial statements		
— Acquisition of subsidiaries	<b>198,570</b>	—
— Acquisition of property, plant and equipment	<b>217,847</b>	280,044
— Acquisition of land use right	—	13,591

## 22. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2007, the Group entered into the following transactions with China National Building Material Group Corporation (“Parent”) and its subsidiaries collectively (“Parent Group”), the associates of the Group and the minority shareholders of the Company’s subsidiaries:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Provision of production supplies to		
— Parent Group	<b>27,051</b>	45,216
— Associates	<b>6,006</b>	29,255
— Minority shareholders of subsidiaries	<b>21,705</b>	23,512
	<b>54,762</b>	97,983
Provision of support services to Parent Group	<b>3,507</b>	5,924
Provision of technical consultation services to a minority shareholder of a subsidiary	<b>3,000</b>	4,000
Rental income in respect of supply of equipment to Parent Group	<b>4,999</b>	3,871
Rental income received from an associate	<b>6,192</b>	5,873
Licensing of trademarks to Parent Group	—	91

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## 22. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2007, the Group entered into the following transactions with the Parent and its subsidiaries ("Parent Group"), the associates of the Group and the minority shareholders of the Company's subsidiaries: (Continued)

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Supply of raw materials by		
— Parent Group	27,778	37,638
— Associate	66,907	3,442
— Minority shareholders of subsidiaries	8,460	18,613
	<b>103,145</b>	<b>59,693</b>
Provision of production supplies by		
— A minority shareholder of a subsidiary	4,608	15,518
— Parent Group	14,478	—
— Associate	197	—
	<b>19,283</b>	<b>15,518</b>
Provision of support services by		
— Parent Group	8,286	13,364
— Minority shareholders of subsidiaries	2,284	1,810
	<b>10,570</b>	<b>15,174</b>
Rendering of engineering services by Parent Group	2,902	530
Supply of equipment by Parent Group	—	6,464

## 22. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) Material transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment currently, predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group, the associates of the Group and the minority shareholders of the subsidiaries are hereinafter collectively referred to as "State-Owned Enterprises"). During the six months ended 30 June 2007, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual courser of business. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a State-Owned Enterprises. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

For the purpose of the interim financial report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the six months ended 30 June 2007 as follows:

- (i) Material transactions

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales	<b>222,575</b>	156,002
Purchases	<b>624,759</b>	453,170
Interest expense	<b>167,034</b>	122,353

- (ii) Material balances

	<b>30.6.2007</b>	<b>31.12.2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade and other receivables	<b>71,287</b>	41,100
Trade and other payables	<b>107,658</b>	64,389

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are State-Owned Enterprises in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

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## 22. RELATED PARTY TRANSACTIONS (Continued)

(c) As 30 June 2007, the Group has the following amounts due from and to related parties

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
<b>Amounts due from related parties</b>		
Trading in nature		
Fellow subsidiaries	176,424	134,082
Associates	10,626	17,004
Minority shareholders of subsidiaries	8,253	3,468
	<b>195,303</b>	<b>154,554</b>
Non-trading in nature:		
Fellow subsidiaries	83,900	—
Associates	60,241	—
	<b>144,141</b>	<b>—</b>
	<b>339,444</b>	<b>154,554</b>
<b>Amounts due to related parties</b>		
Trading in nature:		
Fellow subsidiaries	38,811	30,690
Associated	2,049	4,322
Minority shareholders of subsidiaries	35,498	2,878
	<b>76,358</b>	<b>37,890</b>
Non-trading in nature		
Fellow subsidiaries	1,353	2,206
Minority shareholders of subsidiaries	43,083	35,280
	<b>44,436</b>	<b>37,486</b>
	<b>120,794</b>	<b>75,376</b>

Amounts are unsecured and repayable on demand. The trading nature portion of amounts due from or to related parties are aged within one year, other than an amount of RMB47,637,000 included in amounts due from related parties which are aged within one to two years.

As at 30 June 2007, amounts due to related parties of RMB36,225,000 (31 December 2006: RMB32,785,000) carried fixed interests at rates of 6.03% (31 December 2006: 6.03%)

Save as disclosed above, all other balances with related parties are interest-free.

## 22. RELATED PARTY TRANSACTIONS (Continued)

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2007 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short term benefits	4,840	226
Post-employment benefits	36	17
	4,876	243

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## 23. POST BALANCE SHEET EVENT

- (a) On 10 July 2007, the Company entered into a framework agreement with certain parties to acquire at least 90% equity interest in Zhejiang Hushan Group Company Limited for the purpose of developing regional cement business. Details of which are set out in the Company's announcement dated 13 July 2007.
- (b) On 20 July 2007 and 27 July 2007, the Company entered into letters of intent with certain parties to acquire 80% equity interest in Zhonglida Group Holding Company Limited, Zhejiang Lima Cement Company Limited, Zhejiang Yaya Cement Company Limited, Zhejiang Shenhe Cement Company Limited and Zhejiang Tongxing Cement Company Limited, and 100% of the equity interest in Anhui Feida Cement Company Limited, Zhejiang Tianji Cement Company Limited, and at least 50% of the equity interest in Hejiashen Cement Company Limited. Details of which are set out in the Company's announcement dated 31 July 2007.
- (c) On 20 July 2007, the Company entered a framework agreement with certain parties to acquire 95% equity interest in Changxing Coal Mine Zhongsheng Building Material Company Limited and Changxing Xiaopu Zhongsheng Cement Company Limited. Details of which are set out in the Company's announcement dated 31 July 2007.
- (d) On 31 July 2007, the Company entered into a framework joint venture agreement with Jiangxi Wannianqing Cement Company Limited to establish a joint venture enterprise in the PRC for development of the Company's regional cement business. Details of which are set out in the Company's announcement dated 31 July 2007.
- (e) On 9 August 2007, the Company entered into a placing agreement with Morgan Stanley & Co. International plc in relation to the placing of an aggregate of 149,749,187 overseas-listed foreign-invested shares of RMB 1 each ("H Shares") in the share capital of the Company ("Placing Shares") at a gross price of HK\$17.8 per share and a net price of HK\$17.76 per share to not less than six independent third parties. The Placing Shares comprise of (i) 136,788,000 H Shares to be allotted and issued by the Company and (ii) 12,961,187 H Shares to be converted from the same number of existing state-owned domestic shares transferred from certain state-owned shareholders. Details of which are set out in the Company's announcement dated 9 August 2007.
- (f) On 17 August 2007, the Company and certain parties entered into i) a capital contribution agreement with a view to establish Nanfang Cement Company Limited ("Nanfang Cement") which will become the flagship company of the Group for developing the Group's cement business in the South East Region. ii) a cooperation agreement under which they agreed to invest, through Nanfang Cement, in Nanfang Wannianqing Cement Company Limited ("Nanfang Wannianqing") and inject certain cement operations and assets into Nanfang Wannianqing. iii) a cooperation agreement under which they agreed to invest, through Nanfang Cement, in Zhejiang Nanfang Jianfeng Cement Company Limited ("Nanfang Jianfeng") and inject certain cement operations and assets into Nanfang Jianfeng. Details of which are set out in the announcement dated 19 August 2007.

## 24. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements set out on pages 38 to 60 have been approved and authorised for issue by the Board of Directors on 27 August 2007.