China National Building Material Company Limited *

(Stock Code：3323)

CNBM

2011
INTERIM REPORT

* For identification only

Financial and Business Highlights

	As at 30 June 2011	As at 31 December 2010	Growth rate
	(RMB in millions)		
Bank balances and cash	**10,720**	7,972	34.5%
Total assets	**130,384**	111,516	16.9%
Equity attributable to owners of the Company	**22,016**	19,162	14.9%

	For the six months ended 30 June		
	2011	2010	Growth rate
	(RMB in millions)		
Revenue	**34,559**	21,368	61.7%
Profit after taxation	**4,726**	1,472	221.0%
Profit attributable to owners of the Company	**3,606**	1,070	237.1%
Net cash flows from operating activities	**4,884**	1,835	166.2%

Sales volume of cement and clinker *(in thousand tonnes)*	**82,168**	70,117	17.2%
— China United	**29,882**	26,162	14.2%
— South Cement	**45,459**	39,683	14.6%
— North Cement	**6,827**	4,272	59.8%
Gypsum board *(in million m^2)*	**376**	264	42.5%
Revenue from engineering service *(RMB in millions)*	**2,991**	2,020	48.1%
Rotor blade *(In blades)*	**1,353**	2,612	-48.2%
Glass fibre yarn *(in thousand tonnes)*	**412**	364	13.1%
Unit selling price			
Cement sold by China United *(RMB per tonne)*	**300.2**	210.7	42.5%
Clinker sold by China United *(RMB per tonne)*	**282.1**	187.5	50.5%
Cement sold by South Cement *(RMB per tonne)*	**341.8**	219.5	55.7%
Clinker sold by South Cement *(RMB per tonne)*	**325.9**	196.2	66.1%
Cement sold by North Cement *(RMB per tonne)*	**288.3**	278.9	3.4%
Clinker sold by North Cement *(RMB per tonne)*	**235.6**	213.4	10.4%
Gypsum board			
— BNBM *(RMB per m^2)*	**7.20**	6.72	7.1%
— Taishan Gypsum *(RMB per m^2)*	**5.06**	5.03	0.7%
Rotor blade *(RMB/blade)*	**380,100**	378,700	0.4%

Contents

This interim report, in both Chinese and English versions, is available on the Company's website at http://cnbm.wsfg.hk (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have any difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

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

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

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Cui Lijun
Huang Anzhong
Zuo Fenggao

Independent Non-executive Directors

Zhang Renwei
Zhou Daojiong
Chi Haibin
Li Decheng
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
Cui Shuhong *(Staff Representative Supervisor)*
Liu Zhiping *(Staff Representative Supervisor)*
Liu Chijin *(Independent Supervisor)*
Ma Zhongzhi *(Independent Supervisor)*

Secretary of the Board	:	Chang Zhangli
Joint Company Secretaries	:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives	:	Song Zhiping Chang Zhangli
Alternate Authorized Representative	:	Lo Yee Har Susan (FCS, FCIS) (Lee Mei Yi (ACS, ACIS), alternate to Lo Yee Har Susan)
Qualified Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business in the PRC	:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code	:	100037
Place of Representative Office in Hong Kong	:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers	:	China Construction Bank, Beijing Branch Bank of Communications, Beijing Branch Shanghai Pudong Development Bank, Beijing Branch
PRC Legal Adviser	:	Jingtian & Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC

Corporate Information

Hong Kong Legal Adviser	:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor	:	Baker Tilly Hong Kong Limited 12th Floor, China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central Hong Kong
Domestic Auditor	:	Vocation International Certified Public Accountants Co., Ltd. Room 208, Building B of Huatong Mansion No. 19, Chegongzhuang West Road Yi Haidian District, Beijing The PRC
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code	:	3323
Company Website	:	http://cnbm.wsfg.hk www.cnbmltd.com

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

"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)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程集團有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Group Corporation Limited)
"Cinda"	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.)
"CNBM Trading"	中建材集團進出口公司 (China National Building Material Import and Export Company)
"Company" or "CNBM"	中國建材股份有限公司 (China National Building Material Company Limited)
"Directors"	the members of the Board of the Company
"Document 38"	Notice of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Overcapacity and Redundant Construction in Certain Industries and Facilitating Sound Industrial Development (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》)
"Domestic Shares"	the ordinary domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB

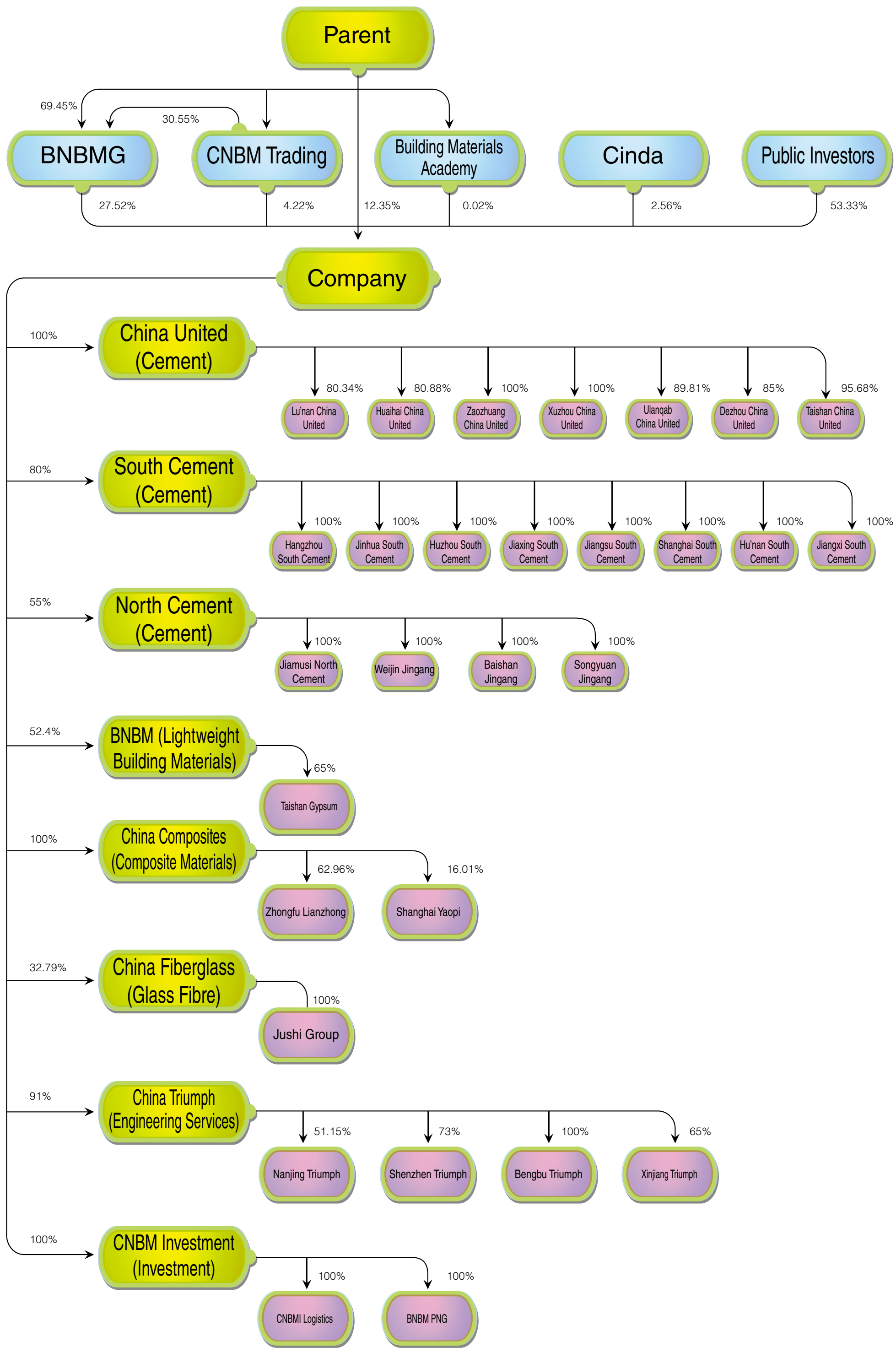
Definitions

"Four Focuses"	focus on market, management, development and financing
"Group" and "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Shares"	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Huaihai Economic Zone"	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
"IFRS"	International Financial Reporting Standards
"Jushi Group"	巨石集團有限公司 (Jushi Group Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"North Cement"	北方水泥有限公司(North Cement Company Limited)
"North Region"	the north region of the PRC, including but not limited to Liaoning, Jilin and Heilongjiang
"NSP cement"	cement produced by clinker made through the new suspension pre-heater dry process
"Parent"	中國建築材料集團有限公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"Reporting Period"	the period from 1 January 2011 to 30 June 2011
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"South Cement"	南方水泥有限公司(South Cement Company Limited)
"Southeast Economic Zone"	the southeast region of the PRC, which includes but not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan

"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company
"Three Five Management Operation Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization. Five I (five operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio

Simplified Shareholding Structure of the Group

The simplified structure of the Group as at the date of this report is set out as below:



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

The summary of financial results of the Group for the six months ended 30 June 2011 and 30 June 2010 is as follows:

	For the six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**34,559,199**	21,367,814
Gross profit	**10,028,052**	4,064,262
Profit after taxation	**4,726,206**	1,472,423
Profit attributable to owners of the Company	**3,605,784**	1,069,801
Distribution made to the owners of the Company	**502,109**	173,685
Earnings per share - basic *(RMB)*(1)	**0.668**	0.216

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to owners of the Company of each period and on the weighted average number of 4,962,430,546 shares for the six months ended 30 June 2010 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2011.

	30 June	31 December
	2011	2010
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**130,384,110**	111,516,350
Total liabilities	**98,910,339**	83,617,964
Net assets	**31,473,771**	27,898,386
Non-controlling interests	**9,458,085**	8,735,906
Equity attributable to owners of the Company	**22,015,686**	19,162,480
Net assets per share — weighted average *(RMB)* (1)	**4.08**	3.77
Debt to assets ratio (2)	**52.4%**	53.0%
Net debts/equity ratio (3)	**182.9%**	183.3%

Notes:

(1) The calculations of weighted average net assets per share are based on the equity attributable to owners of the Company of each period and on the weighted average number of 5,083,241,963 shares for 2010 and the weighted average number of 5,399,026,262 shares for the six months ended 30 June 2011.

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

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

Business Highlights

The summary of major operating data of each segment of the Group for the six months ended 30 June 2011 and 30 June 2010 is set out below:

CEMENT SEGMENT

China United

	For the six months ended 30 June	
	2011	2010
Production volume-cement *(in thousand tonnes)*	**19,429.1**	16,772.5
Production volume-clinker *(in thousand tonnes)*	**22,878.9**	18,761.8
Sales volume-cement *(in thousand tonnes)*	**19,803.8**	17,094.6
Sales volume-clinker *(in thousand tonnes)*	**10,078.6**	9,067.2
Unit selling price-cement *(RMB per tonne)*	**300.2**	210.7
Unit selling price-clinker *(RMB per tonne)*	**282.1**	187.5

South Cement

	For the six months ended 30 June	
	2011	2010
Production volume-cement *(in thousand tonnes)*	**34,746.8**	29,957.7
Production volume-clinker *(in thousand tonnes)*	**35,405.8**	28,078.0
Sales volume-cement *(in thousand tonnes)*	**34,314.7**	29,840.6
Sales volume-clinker *(in thousand tonnes)*	**11,144.6**	9,842.0
Unit selling price-cement *(RMB per tonne)*	**341.8**	219.5
Unit selling price-clinker *(RMB per tonne)*	**325.9**	196.2

North Cement

	For the six months ended 30 June	
	2011	2010
Production volume-cement *(in thousand tonnes)*	**4,665.3**	2,214.8
Production volume-clinker *(in thousand tonnes)*	**4,758.9**	3,356.7
Sales volume-cement *(in thousand tonnes)*	**4,676.9**	2,078.8
Sales volume-clinker *(in thousand tonnes)*	**2,150.0**	2,193.5
Unit selling price-cement *(RMB per tonne)*	**288.3**	278.9
Unit selling price-clinker *(RMB per tonne)*	**235.6**	213.4

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the six months ended 30 June	
	2011	2010
Gypsum boards — BNBM		
Production volume *(in million m^2)*	**56.6**	38.6
Sales volume *(in million m^2)*	**62.1**	43.0
Average unit selling price *(RMB per m^2)*	**7.20**	6.72

Gypsum boards — Taishan Gypsum		
Production volume *(in million m^2)*	**319.8**	234.0
Sales volume *(in million m^2)*	**313.4**	220.5
Average unit selling price *(RMB per m^2)*	**5.06**	5.03

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

	For the six months ended 30 June	
	2011	2010
Rotor blade		
Production volume *(in blade)*	**1,867**	2,523
Sales volume *(in blade)*	**1,353**	2,612
Average unit selling price *(RMB per blade)*	**380,100**	378,700

Management Discussion and Analysis

The Group is mainly engaged in cement, lightweight building materials, glass fiber and composite materials and engineering services businesses. Based on the current market positions (in terms of the production capacity as at 30 June 2011), the Group is:

- the largest cement producer in the PRC;
- the largest gypsum board producer in Asia;
- the largest producer of rotor blade in the PRC;
- the largest glass fibre producer in the world through China Fiberglass, an associate of the Company;
- an international engineering firm that provides float glass production lines and NSP cement production lines design and/or EPC services in the PRC, designed and/or constructed over 50% of the float glass production lines sold in the PRC.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2011, the national economy maintained steady and relatively fast growth. To strengthen and improve macro-economic control continuously, the State Council adhered to its proactive fiscal policies and prudent monetary policies, with which the economy in general saw satisfactory performance. Comparing with the same period last year, China's GDP exhibited a growth of 9.6% and the country's total fixed assets investment grew by 25.6% and real-estate development investment increased by 32.9%. Through adjusting development strategy, saving energy and reducing emissions, consolidation and restructuring as well as innovating management, production, price and efficiency of the building materials industry recorded steady growth. (Sources: NBSC and the Ministry of Industry and Information Technology (工業和信息化部))

In response to the fallout of adverse factors such as tightened national monetary policies, price hikes of raw materials and shortage in energy supply, the Group took the initiative to grasp the crucial opportunity in a time when our economy was growing and the building materials industry was undergoing structural adjustments under the Twelfth Five-year Plan. To this end, it actively implemented national industry policies and adjusted its economic development mode according to its set development strategy. Apart from extending industry chain, it forged ahead with capital operation, consolidation and restructuring, management integration as well as energy saving and emission reduction whilst strengthening Four Focuses on an ongoing basis. Meanwhile, the Group proactively transformed its business ideology from VCP (volume-cost-profit) to PCP (price-cost-profit) and promoted the Cost-saving Program as a means to reduce cost and enhance efficiency. Furthermore, various operating indicators have continued to improve notably, demonstrating a sound and rapid development.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT

Review of the cement industry in the PRC in the first half of 2011

The overall operation and development of the industry were reassuring, with all indicators performing better than expected. The cement industry continued to witness burgeoning growth, with production, profit and prices remained consistently high. In the first half of the year, the national cement output reached 950 million tonnes, up 19.57% as compared with the same period last year. Industry concentration increased and corporate profitability surged as the Ministry of Industry and Information Technology flashed out plans to eliminate 150 million tonnes of backward production capacity as part of a more vigorous campaign to phase out obsolete production capacity. Subject to restrictions on new production capacity under Document 38, the growth in the amount of completed fixed investment in the cement manufacturing industry continued to slow down, 15.34% lower than the same period last year. (Source: the Ministry of Industry and Information Technology and China Cement Association)

Review of the cement segment of the Group in the first half of 2011

The Group enforced its Three Five Management Mode across the cement segment, fully adhered to the business ideology of PCP and further committed itself to price stabilization, energy saving and consumption reduction, resulting in respectable achievement in terms of production and operation. The Group not only achieved higher economic interest but also drove the regional cement market to grow on a solid footing.

As for the cement segment, the consolidation and restructuring, and technology innovation projects in the three strategic regions - Huaihai Economic Zone, Southeast Economic Zone and North Region gathered pace. With a focus on the formation of core profit generating regions and continuous increase in market shares, marketing management integration marked remarkable success, as evidenced by the Groups' significant economies of scale and a proper pick-up in regional cement prices. The layout of commercial concrete mixing stations in the region was also actively carried forward, as part of the Group's endeavors to extend and optimize its industry chain. Efforts in expenditure and consumption reduction as well as cost control also paid off as all enterprises brought the Cost-saving Program into full play.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

China United

To fully implement the business ideology of PCP, China United has established a corporate wide marketing decision-making mechanism which is in line with the ideology. The focus of the mechanism is to stabilize product price and to this end, the overall balance of the market demand and supply dynamics of the region is maintained through voluntary emission reduction in the region, and industry competition is rationalized and industry value increased by adjusting production decisions internally.

The company spared no efforts in integrating its management and strengthening the synergy in its business, finance and technology. As the five major operational management regions gradually met the target of integrated sales across regions, the company's prominence in regional markets increased. Following the improvement of its integrated marketing management system and centralized procurement management system, the company was able to capitalize its advantage over bulk procurement and procurement cost reduced effectively. A comprehensive, region-based coordinating mechanism of production technology has also been established, leading to more efficient operation.

Steady progress has also been made in consolidation and restructuring, technology innovation projects and expansion of the industry chain, which further increased the market concentration of the regions.

South Cement

South Cement implemented the business ideology of PCP in all directions. Great importance has been attached to the establishment of a long-standing energy saving and production limitation mechanism within big regions, which proved largely successful in effectively adjusting the demand and supply dynamics in regions, stabilizing prices in non-peak seasons and driving prices substantially higher in the first half of 2011. Efforts in market development and marketing management were also strengthened, resulting in a continuous increase in market share and a surge in profits.

Management integration and performance benchmarking were further implemented. With improvement made in both management and efficiency, the company unified its brands and successfully introduced the "South Cement" ("南方") brand which brought about a more comprehensive management system. Meanwhile, the company actively stepped up centralized procurement, with satisfactory results in expenditure saving, consumption reduction and cost control.

The company steadily pushed forward consolidation and restructuring, technology innovation, resources integration and expansion of the industry chain, thus enhancing its sustainability.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

North Cement

North Cement implemented the business ideology of PCP in all directions, it actively promoted management integration by establishing core profit generating regions, including the two major operational management regions of Jilin (including Liaoning Company) and Heilongjiang. By committing itself to centralized procurement and intensified marketing, the integration of operational management across regions began to come into effect. With growing market influence and control, the company had not only enhanced its profitability but also helped facilitate industry development, transform the ideology of development and contribute to a proper increase of industry value in these regions, which brought about a win-win scenario.

The company fostered consolidation and restructuring and technology innovation in projects in a steady pace, so as to accelerate market layout and expand in scale.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the Group's lightweight building materials business in the first half of 2011

BNBM made solid progress in production and operation as well as in project construction, whilst actively expanding and optimizing its marketing channels, thus further strengthened its capability of systematic sales. Meanwhile, it endeavored to enhance market promotion to secure "sizable clients, substantial orders and material projects". Owing to such efforts, it won the bid of various major construction and government projects consecutively. Meanwhile, the company was aspiring to establish a capacity layout of 2 billion m^2 of gypsum board.

Through strengthening its branding initiatives and consolidating its leading position within industry, the gypsum boards of the "Dragon" brand was successfully enlisted as the "First-choice Brand of Premium Quality Social Housing Construction" (保障房精品工程首選品牌) and the "First-choice Brand for Refurbishment Materials of Five-star Hotels" ("五星級飯店裝修材料首選品牌").

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENTS

Review of the glass fibre and composite materials industry in the PRC in the first half of 2011

Composite materials industry

In the first half of 2011, the central government and local governments had successively rolled out a series of wind power industry policies to strengthen the entry criteria of the wind power industry. These measures brought about the integration of wind power enterprises and restructuring of the wind power industry. (Sources: China Fiberglass Industry Association)

Glass fibre industry

The glass fibre industry remained bullish in 2011. In the first half of the year, the national output of glass fibre yarns increased by 21.98% over the same period last year. Meanwhile, demand for glass fibre continued to grow and the supply and demand dynamics of glass fibre improved consistently. Coupled with consistent hikes of the domestic and international glass fibre prices, industry profit continued to increase. (Sources: China Fiberglass Industry Association)

Review of the Group's glass fibre and composite materials business in the first half of 2011

Composite materials business

The fierce market competition of wind power industry has driven the price of wind power blades to decrease. In face of intensified market competitions, China Composites took the initiative to adjust production and market strategies, accelerate the development of new and high-end products and develop new customer base. In addition to stepping up the construction of rotor blade bases in Shenyang, Baotou and Jiuquan, the company made investments and established large rotor blade and nacelle projects with a capacity of 3MW and 5MW in Jiuquan, Hami and Weihai, laying the foundation for its unrivalled presence in the industry.

Glass fibre business

Taking advantage of the pickup in demand as well as the price rally in the glass fibre market, China Fiberglass focused on market penetration and strengthening of its profitability. At home, it further expanded its market share, deepened efforts in increasing new clients and direct clients whilst increasing the proportion of medium-to-high-end products in market sales. Abroad, it has consistently improved its global marketing network. Meanwhile, it enhanced research and development of new products, strengthened technology innovation and set off to "increase revenue, save expenditure and reduce consumption". In the first half of the year, the production, sales and net profit of the glass fibre segment increased significantly as compared with the same period of last year, while product prices trended upwards.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENTS *(Continued)*

Review of the Group's glass fibre and composite materials business in the first half of 2011 *(Continued)*

Glass fibre business *(Continued)*

On 4 August 2011, China Fiberglass successfully completed the transaction to acquire 49% equity interest of Jushi Group through share issuance, thereafter Jushi Group became a wholly-owned subsidiary of China Fiberglass. The completion of the transaction will help optimize the governance structure of China Fiberglass, enhance its management efficiency, boost its risk aversion capability and enhance its profitability.

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering services business in the first half of 2011

China Triumph captured the strategic opportunities arising from national industry upgrade, targeting at the high-end glass and cement construction market, the upgrade and renovation market of the traditional building material industry as well as the solar power and photoelectric display engineering market to ever expand its core technology-based EPC business. Given its aspiration to cultivate new core competitive advantages in terms of engineering technology services, the company had secured a dominant position in the provision of glass, cement and new energy engineering technology services.

The company also exploited its advantages over resources integration to establish a brand new system of technology innovation and kick-started the development of engineering technology for new glass, new energy, new materials and new equipment so as to draw synergy between research and development. Owing to these measures, its core competitiveness grew ever stronger.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Looking into the second half of 2011, the Group will make the best of the opportunities brought about by the industry restructuring in the PRC as well as the transformation and upgrade of the building materials industry to cope with the pressure from the external environment. In strict adherence to its set development strategy, it will facilitate the progress of capital operation as well as consolidation and restructuring and enforce the Four Focuses. In addition, it will further its commitment to the business ideology of PCP by constructing core profit generating regions and cooperative profit generating regions, as well as enhancing its market influence. To this end, it will further promote the Cost-saving Program to reduce expenditure and consumption, advance consolidation and restructuring as well as technology innovation projects to boost market share and extend the industry chain of its cement segment. Furthermore, it will promote capital operation to perfect its capital portfolio, whilst further implementing the Three Five Management Mode to bolster profitability.

OUTLOOK FOR THE SECOND HALF OF THE YEAR *(CONTINUED)*

CEMENT SEGMENT

As for the cement segment, the transformation of China's economic growth mode, the restrictions on new capacity, the phase-out of obsolete capacity and other policies have brought favorable opportunities to sizable enterprises. Taking advantage of the above, the Group will capitalize on its corporate advantages and sound integration capability, push forward consolidation and restructuring, and technology innovation projects. Under the guidance of the business ideology of PCP, it will continue to stabilize and increase prices whilst saving expenditure and cutting consumption. It will also enforce its Three Five Management Mode, strengthen the formation of core profit generating regions and further increase its market share in targeted regions to enhance its economies of scale and solidify its market influence. Meanwhile, it will seek to extend its cement industry chain, accelerate consolidation and restructuring of its commercial concrete business and develop a cement business that is "ready-mixed concrete oriented, high grade cement oriented, specialized cement oriented and cement products oriented" so as to add value and competitiveness to its cement products and in turn enhance its corporate value.

China United

By fully implementing the business ideology of "PCP" with an emphasis of boosting sales prices and reducing product costs, it will further strengthen the synergy of marketing. With a view to stepping up product profitability, it will implement the Three Five Management Mode in all directions through more vigorous management integration in operational management regions. It will also steadily proceed with consolidation and restructuring, technology innovation and extension of its industry chain.

South Cement

Market research, market exploration and marketing management will be intensified to put in place a management mode focusing on centralized marketing, in a bid to create a sound external market environment and facilitate a sound development of regional cement markets where it operates. Greater efforts will be made to tighten management on production and procurement and implement the Cost-saving Program. It will solidify and magnify the outcome of consolidation and restructuring, head steadily towards resources integration and logistic integration to enhance its sustainability and market influence in regions.

North Cement

The Company will facilitate consolidation and restructuring, and technology innovation projects in a steady manner, penetrate new markets and consolidate and expand core profit generating regions. Furthermore, it will improve market investigation and forecasts to adjust sales strategies in a timely manner. It will further execute the Three Five Management Mode, through more vigorous management integration, energy saving and consumption reduction, aiming at achieving lower costs and stronger profits.

OUTLOOK FOR THE SECOND HALF OF THE YEAR *(CONTINUED)*

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

The segment will continue its expansion of marketing channels, with a focus on securing "sizable clients, substantial orders and material projects". Going forward, it will accelerate project construction and expand its industry layout prudently. Meanwhile, it will place greater emphasis on branding and strengthen its core competitiveness on an ongoing basis.

GLASS FIBRE AND COMPOSITE MATERIALS SEGMENT

Composite materials business

Along with active market exploration, product portfolio of the business will be further optimized with more vigorous development of new rotor blade products in terms of better quality and lower costs.

Glass fibre business

Efforts will be made to expand both the international and domestic markets, quicken the pace of product and production restructuring, accelerate technology innovation and reinforce cost control.

ENGINEERING SERVICES SEGMENT

In an attempt to tie up its corporate development with industry restructuring and upgrades, the Company will leverage on research and development to capture such opportunities, penetrating markets with new technology and sparing no efforts in developing "new glass, new materials, new energy and new equipment" to cultivate new point of economic growth. It will insist on independent self-innovation as the key to enhance core competitiveness.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 61.7% from RMB21,367.8 million for the six months ended 30 June 2010 to RMB34,559.2 million for the six months ended 30 June 2011. Unaudited profit attributable to owners increased by 237.1% from RMB1,069.8 million for the six months ended 30 June 2010 to RMB3,605.8 million for the six months ended 30 June 2011.

Revenue

Our revenue for the six months ended 30 June 2011 amounted to RMB34,559.2 million, representing an increase of 61.7% from RMB21,367.8 million for the six months ended 30 June 2010. This was primarily due to an increase of RMB11,035.6 million in revenue from our cement segment, an increase of RMB971.0 million in revenue from our engineering services segment and an increase of RMB630.8 million in revenue from our lightweight building materials segment.

FINANCIAL REVIEW *(CONTINUED)*

Cost of sales

Our cost of sales for the six months ended 30 June 2011 amounted to RMB24,531.1 million, representing an increase of 41.8% from RMB17,303.6 million for the six months ended 30 June 2010. This was primarily due to an increase of RMB5,001.6 million in cost of sales of our cement segment, an increase of RMB897.6 million in cost of sales of our engineering services segment and an increase of RMB575.2 million in cost of sales of our lightweight building materials segment.

Other income

Other income of the Group increased by 28.3% to RMB1,120.2 million for the six months ended 30 June 2011 from RMB872.7 million for the six months ended 30 June 2010. This was primarily due to an increase in net gain from change in fair value of held-for-trading investments of the Group to RMB205.3 million for the six months ended 30 June 2011 from RMB-21.8 million for the six months ended 30 June 2010 and the increase in VAT refund from RMB320.6 million for the six months ended 30 June 2010 to RMB404.5 million for the six months ended 30 June 2011.

Selling and distribution costs

Selling and distribution costs increased by 20.5% to RMB982.3 million for the six months ended 30 June 2011 from RMB815.2 million for the six months ended 30 June 2010. This was primarily due to an increase of RMB35.1 million in packaging fees, an increase of RMB11.0 million in transportation costs and an increase of RMB16.1 million in loading costs as a result of the Group's rising sales of major products, coupled with an increase of RMB29.8 million in remuneration for sales staff resulting from a surge of the operating performance of the Group.

Administrative and other expenses

Administrative and other expenses increased by 89.9% to RMB2,271.1 million for the six months ended 30 June 2011 from RMB1,196.2 million for the six months ended 30 June 2010. This was primarily due to an increase of RMB262.2 million in the salary and allowances, an increase of RMB201.6 million in the provision made for asset impairment, an increase of RMB84.9 million in depreciation and amortization of intangible assets, an increase of RMB61.9 million in administrative expenses and utility bills, an increase of RMB56.4 million in tax (including stamp tax, property tax and land use tax), an increase of RMB34.6 million in research and development expenses and an increase of RMB29.1 million in emission fees of the Group.

Finance costs

Finance costs increased by 55.2% to RMB1,703.3 million for the six months ended 30 June 2011 from RMB1,097.3 million for the six months ended 30 June 2010, due to our increased borrowings which were required to support the increase in the business volume in our four business segments and higher interest rate of bank loans.

Share of profit of associates

The Group's share of profit of associates increased by 247.9% to RMB261.9 million for the six months ended 30 June 2011 from RMB75.3 million for the six months ended 30 June 2010. This was primarily due to a significant increase in profit given the increases in sales volume and prices of products of our associate companies, China Fibreglass and Jushi Group.

FINANCIAL REVIEW *(CONTINUED)*

Income tax expense

Income tax expense increased by 300.6% to RMB1,727.1 million for the six months ended 30 June 2011 from RMB431.2 million for the six months ended 30 June 2010, primarily due to the increase in profit before taxation.

Non-controlling interests

Non-controlling interests increased by 178.3% to RMB1,120.4 million for the six months ended 30 June 2011 from RMB402.6 million for the six months ended 30 June 2010. This was primarily due to the increase in operating profit in each of our business segments.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased by 237.1% to RMB3,605.8 million for the six months ended 30 June 2011 from RMB1,069.8 million for the six months ended 30 June 2010. Net profit margin increased to 10.4% for the six months ended 30 June 2011 from 5.0% for the six months ended 30 June 2010.

China United

Acquisition and addition of new production lines

China United acquired 11 cement companies after 30 June 2010. In addition, a 5,000t/d clinker production line of Anxian China United Cement Company Limited（安縣中聯水泥有限公司）commenced production in October 2010; and a million-tonne grinding station of Qingdao Jimo China United Cement Company Limited（青島即墨中聯水泥有限公司）commenced production in December 2010. Operating results of the above 13 companies were consolidated into the operating results of China United for the six months ended 30 June 2011, but excluded from the operating results for the six months ended 30 June 2010.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 13 companies for the six months ended 30 June 2011 and their respective contribution to China United.

	RMB in millions	*Total percentage in China United*
Revenue	1,559.1	17.3
Cost of sales	1,177.5	18.9
Gross profit	381.6	13.6
Operating profit	278.3	13.0

Save for the reasons stated below, changes in the operating results of China United for the six months ended 30 June 2011 as compared with the six months ended 30 June 2010 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries and newly operational subsidiaries of the Group.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Revenue

Revenue from China United increased by 66.9% to RMB9,020.2 million for the six months ended 30 June 2011 from RMB5,403.1 million for the six months ended 30 June 2010, mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for China United increased by 42.7% to RMB6,221.2 million for the six months ended 30 June 2011 from RMB4,360.8 million for the six months ended 30 June 2010. This was mainly attributable to the increase in sales volume of cement products and higher raw materials and coal prices.

Gross profit and gross profit margin

Gross profit from China United increased by 168.5% to RMB2,799.0 million for the six months ended 30 June 2011 from RMB1,042.3 million for the six months ended 30 June 2010. Gross profit margin of China United increased from 19.3% for the six months ended 30 June 2010 to 31.0% for the six months ended 30 June 2011. The increase in gross profit margin was mainly due to higher average selling price of cement products, but was partially offset by higher raw materials and coal prices.

Operating profit

Operating profit from China United increased by 134.4% to RMB2,141.7 million for the six months ended 30 June 2011 from RMB913.8 million for the six months ended 30 June 2010. Operating profit margin for the segment increased from 16.9% for the six months ended 30 June 2010 to 23.7% for the six months ended 30 June 2011. The increase in operating profit margin was primarily due to the increase in gross profit margin, but was partially offset by the decrease in government grants and the increase in provisions made for asset impairment.

FINANCIAL REVIEW *(CONTINUED)*

South Cement

Acquisition and addition of new production lines

South Cement acquired 6 cement companies after 30 June 2010. In addition, a 5,000t/d clinker production line of Jiangxi Shanggao South Cement Company Limited（江西上高南方水泥有限公司）commenced production in September 2010; a 5,000t/d clinker production line of Jiangxi Yongfeng South Cement Company Limited（江西永豐南方水泥有限公司）commenced production in October 2010; a million-tonne grinding station of Jiangxi Fuzhou South Cement Company Limited（江西撫州南方水泥有限公司）commenced production in December 2010; a million-tonne grinding station of Jiangxi Jishui South Cement Company Limited（江西吉水南方水泥有限公司）commenced production in December 2010; a 5,000t/d clinker production line of Hunan Shaoyan South Cement Company Limited（湖南邵陽南方水泥有限公司）commenced production in December 2010; and Hunan Changde South Cement Company Limited（湖南常德南方水泥有限公司）commenced production in April 2011. Operating results of the above 12 companies were consolidated into the operating results of South Cement for the six months ended 30 June 2011, but excluded from the operating results for the six months ended 30 June 2010.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 12 companies for the six months ended 30 June 2011 and their respective contribution to segments of South Cement.

	RMB in millions	*Total percentage in South Cement*
Revenue	1,681.8	10.8
Cost of sales	1,160.6	11.6
Gross profit	521.3	9.4
Operating profit	408.1	9.1

Save for the reasons stated below, changes in the operating results of South Cement for the six months ended 30 June 2011 as compared with the six months ended 30 June 2010 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries and newly operational subsidiaries of the Group.

Revenue

Revenue of South Cement increased by 73.6% to RMB15,541.0 million for the six months ended 30 June 2011 from RMB8,953.6 million for the six months ended 30 June 2010, mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales of South Cement increased by 34.1% to RMB9,976.8 million for the six months ended 30 June 2011 from RMB7,438.0 million for the six months ended 30 June 2010. This was mainly attributable to the increase in sales volume of cement products and higher raw materials and coal prices.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

Gross profit and gross profit margin

Gross profit of South Cement increased by 267.1% to RMB5,564.1 million for the six months ended 30 June 2011 from RMB1,515.7 million for the six months ended 30 June 2010. Gross profit margin of South Cement increased from 16.9% for the six months ended 30 June 2010 to 35.8% for the six months ended 30 June 2011. This is mainly attributable to the increase in the average selling price of cement products, but was partially offset by higher raw materials and coal prices.

Operating profit

Operating profit of South Cement increased by 292.0% to RMB4,469.1 million for the six months ended 30 June 2011 from RMB1,140.0 million for the six months ended 30 June 2010. Operating profit margin for the segment increased from 12.7% for the six months ended 30 June 2010 to 28.8% for the six months ended 30 June 2011. This was primarily due to the increased gross profit margin.

North Cement

Acquisitions

North Cement acquired 9 cement companies after 30 June 2010. Operating results of the above 9 companies were consolidated into the operating results of North Cement for the six months ended 30 June 2011, but excluded from the operating results for the six months ended 30 June 2010.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned 9 companies for the six months ended 30 June 2011 and their respective contribution to segments of North Cement.

	RMB in millions	*Total percentage in North Cement*
Revenue	760.3	40.5
Cost of sales	552.1	38.6
Gross profit	208.2	46.5
Operating profit	165.4	41.4

Save for the reasons stated above, changes in the operating results of North Cement for the six months ended 30 June 2011 as compared with the six months ended 30 June 2010 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries of the Group.

FINANCIAL REVIEW *(CONTINUED)*

North Cement *(Continued)*

Revenue

Revenue from North Cement increased by 79.5% to RMB1,877.1 million for the six months ended 30 June 2011 from RMB1,045.9 million for the six months ended 30 June 2010, mainly attributable to the increase in average selling price and sales volume of cement products.

Cost of sales

Cost of sales for North Cement increased by 72.8% to RMB1,429.8 million for the six months ended 30 June 2011 from RMB827.4 million for the six months ended 30 June 2010. This was mainly attributable to the increase in sales volume of cement products and higher raw materials and coal prices.

Gross profit and gross profit margin

Gross Profit from North Cement increased by 104.7% to RMB447.3 million for the six months ended 30 June 2011 from RMB218.6 million for the six months ended 30 June 2010. Gross profit margin for North Cement under the Group increased from 20.9% for the six months ended 30 June 2010 to 23.8% for the six months ended 30 June 2011. This was mainly due to higher average selling price of cement products, but was partially offset by higher raw materials and coal prices.

Operating profit

Operating profit from North Cement increased by 100.3% to RMB399.7 million for the six months ended 30 June 2011 from RMB199.5 million for the six months ended 30 June 2010. Operating profit margin for the segment increased from 19.1% for the six months ended 30 June 2010 to 21.3% for the six months ended 30 June 2011, primarily due to higher gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment

Revenue

Revenue from lightweight building materials segment increased by 33.5% to RMB2,513.7 million for the six months ended 30 June 2011 from RMB1,882.9 million for the six months ended 30 June 2010. This was mainly attributable to the increase in the average selling price of gypsum boards, our main product as well as the rise in their sales volume.

Cost of sales

Cost of sales from lightweight building materials segment increased by 41.1% to RMB1,974.2 million for the six months ended 30 June 2011 from RMB1,398.9 million for the six months ended 30 June 2010. This was mainly due to the increase in sales volume of gypsum boards, our main product, and higher raw materials and coal prices.

Gross profit and gross profit margin

Gross profit from lightweight building materials segment increased by 11.5% to RMB539.5 million for the six months ended 30 June 2011 from RMB484.0 million for the six months ended 30 June 2010. Gross profit margin for lightweight building material segment decreased to 21.5% for the six months ended 30 June 2011 from RMB 25.7% for the six months ended 30 June 2010, mainly attributable to higher raw materials and coal prices, but was partly offset by the increase in the average selling price of gypsum boards.

Operating profit

Operating profit from lightweight building materials segment increased by 33.7% to RMB351.3 million for the six months ended 30 June 2011 from RMB262.8 million for the six months ended 30 June 2010. Operating profit margin of this segment stood at 14.0% for both periods, which was principally due to a decrease in the gross profit margin that was offset by the decline of selling expenses.

FINANCIAL REVIEW *(CONTINUED)*

Glass Fiber and Composite Materials Segment

Revenue

Revenue from glass fiber and composite materials segment decreased by 25.8% to RMB976.3 million for the six months ended 30 June 2011 from RMB1,316.5 million for the six months ended 30 June 2010, which was primarily due to the decrease of RMB515.1 million in revenue from FRP pipes, tanks business and rotor blades, although such decrease had been partially offset by the increase of RMB98.9 million in the revenue from plastic floor products business.

Cost of sales

The cost of sales for glass fiber and composite materials segment decreased by 22.8% to RMB765.9 million for the six months ended 30 June 2011 from RMB992.2 million for the six months ended 30 June 2010. The decrease was primarily due to the decrease of RMB392.1 million in the cost of FRP pipes, tanks business and rotor blades, although such a decrease had been partially offset by the increase of RMB87.8 million in the cost of the plastic floor products business.

Gross profit and gross profit margin

Gross profit from glass fiber and composite materials segment decreased by 35.1% to RMB210.4 million for the six months ended 30 June 2011 from RMB324.4 million for the six months ended 30 June 2010. Gross profit margin for glass fiber and composite materials segment decreased to 21.6% for the six months ended 30 June 2011 from 24.6% for the six months ended 30 June 2010. The decrease in gross profit margin was mainly attributable to the decrease in the gross profit margin of rotor blade, our main product.

Operating profit

Operating profit from glass fiber and composite materials segment decreased by 40.9% to RMB103.2 million for the six months ended 30 June 2011 from RMB174.4 million for the six months ended 30 June 2010. The operating profit margin for such segment decreased to 10.6% for the six months ended 30 June 2011 from 13.2% for the six months ended 30 June 2010. The decrease in operating profit margin was primarily due to the decrease in the gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment

Revenue

Revenue from engineering services segment increased by 48.1% to RMB2,991.4 million for the six months ended 30 June 2011 from RMB2,020.3 million for the six months ended 30 June 2010, which was mainly attributable to the increase in completed construction services in the period.

Cost of sales

Cost of sales for engineering services segment increased by 57.9% to RMB2,447.0 million for the six months ended 30 June 2011 from RMB1,549.4 million for the six months ended 30 June 2010. This was primarily due to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from engineering services segment increased by 15.6% to RMB544.4 million for the six months ended 30 June 2011 from RMB470.9 million for the six months ended 30 June 2010. This was primarily due to the increase in completed construction services in the period. Gross profit margin for engineering services segment decreased to 18.2% for the six months ended 30 June 2011 from 23.3% for the six months ended 30 June 2010. This was mainly attributable to the decrease in the gross profit margin of those EPC projects with significant contribution to revenue.

Operating profit

Operating profit from engineering services segment increased by 3.3% to RMB319.3 million for the six months ended 30 June 2011 from RMB309.2 million for the six months ended 30 June 2010. Operating profit margin for this segment decreased to 10.7% for the six months ended 30 June 2011 from 15.3% for the six months ended 30 June 2010. This was primarily due to its lower gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 30 June 2011, the Group had unused banking facilities of approximately RMB21,811.3 million in total.

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

	As at 30 June 2011	As at 31 December 2010
	(RMB in millions)	
Bank loans	**66,653.8**	58,089.3
Other unsecured borrowings from non-financial institutions	**1,638.3**	1,029.1
Total	**68,292.1**	59,118.4

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

	As at 30 June 2011	As at 31 December 2010
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**36,704.9**	28,188.0
Between one and two years	**14,413.8**	13,393.0
Between two and three years	**5,925.6**	7,673.4
Between three and five years (inclusive of both years)	**7,939.7**	6,295.8
Over five years	**3,308.1**	3,568.2
Total	**68,292.1**	59,118.4

As at 30 June 2011, bank loans in the total amount of RMB5,646.4 million were secured by assets of the Group with a total value of RMB8,899.4 million.

As at 30 June 2011 and 31 December 2010, we had a debt-to-asset ratio, which is calculated by dividing its consolidated borrowings by its total consolidated assets, of 52.4% and 53.0%, respectively.

FINANCIAL REVIEW *(CONTINUED)*

Exchange Risks

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

Contingent Liabilities

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

	As at 30 June 2011	As at 31 December 2010
	(RMB in millions)	
Guarantees given to banks in respect of bank credits used by:		
— former related parties	**—**	—
— independent third parties	**88.0**	139.0
Total	**88.0**	139.0

Capital Commitments

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

	As at 30 June 2011	As at 31 December 2010
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted for but no provisions have been made	**3,039.1**	2,884.2
Capital expenditure of the Company in respect of prepaid lease payments (contracted for but no provisions have been made)	**33.0**	—
Capital expenditure of the Company in respect of purchase of mining rights (contracted for but no provisions have been made)	**8.0**	—
Capital expenditure of the Company in respect of equity acquisition (contracted for but no provisions have been made)	**—**	143.1

FINANCIAL REVIEW *(CONTINUED)*

Capital Expenditures

The following table sets out our capital expenditures for the six months ended 30 June 2011 by segment:

		For the six months ended 30 June 2011	
		(RMB in millions)	*% of total*
Cement		**3,581.0**	62.5
Among:	China United	**1,334.1**	23.3
	South Cement	**1,535.4**	26.8
	North Cement	**711.5**	12.4
Lightweight building materials		**773.6**	13.5
Glass fiber and composite materials		**202.9**	3.6
Engineering services		**22.9**	0.4
Others		**1,147.8**	20.0
Total		**5,728.2**	100.0

Bank Balances and Cash

Our bank balances and cash was RMB7,971.7 million as at 31 December 2010 and RMB10,719.7 million as at 30 June 2011.

Cash Flow from Operating Activities

For the six months ended 30 June 2011, our net cash inflow generated from operating activities was RMB4,884.2 million. Such net cash inflow was primarily due to RMB9,187.7 million of cash flow from operating activities before the change in working capital and an increase of trade and other payables amounting to RMB1,039.3 million, partially offset by a RMB1,712.2 million increase in trade and other receivables and a RMB2,078.6 million increase in inventories.

Cash Flow from Investing Activities

For the six months ended 30 June 2011, our net cash outflow from investing activities was RMB9,182.9 million, which was primarily due to the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB4,900.4 million, a RMB1,813.8 million decrease in other payment, and a RMB770.4 million increase in pledged bank deposits.

Cash Flow from Financing Activities

For the six months ended 30 June 2011, we had a net cash inflow from financing activities amounting to RMB7,024.6 million, primarily attributable to a total of RMB27,089.2 million in new borrowings, partially offset by RMB18,381.1 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 2011.

MATERIAL TRANSACTION

Proposed A Share Issue

On 20 July 2011, the Board of the Company considered and approved the issue of not more than 1 billion A shares of RMB1.00 each and applied for specific mandate from shareholders' general meeting and class meetings of H shareholders and domestic shareholders. The Company proposed to use proceeds raised from proposed A share issue in acquisition, investment in fixed assets, alteration of the information system, repayment of bank loans and replenishment of cash flows.

Details of the proposed A share issue has been disclosed in the announcement of the Company published on 20 July 2011 and its circular published on 1 August 2011. As at the date of this report, the proposed A share issue has yet to be approved by the shareholders.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Particulars of related party transactions are set out in Note 27 to the interim financial statements.

For details of connected transactions and relevant exemptions, please see the Company's 2009 Annual Report and 2010 Annual Report.

For the six months ended 30 June 2011, the Group's income from its supply of products and services to Parent Group amounted to approximately RMB150.7 million, representing approximately 0.4% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from Parent Group amounted to RMB230.2 million, representing approximately 0.9% of its total cost of sales for the same period.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2011, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Company has established the audit committee. The audit committee of the Company comprises 3 non-executive Directors, including 2 independent non-executive Directors, with appropriate professional qualification or accounting or related financial management experience. The terms of reference adopted by the audit committee complied with the requirements of the Code. 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 2011 interim report of the Company.

INTERNAL CONTROL

In order to comply with the relevant regulatory requirements of the Stock Exchange, strengthen its internal control management and ensure sound and effective internal control, the Company has formulated a series of internal management systems covering, amongst others, financial management, investment management and audit management.

In accordance with Code C.2.1, 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.

MODEL CODE

The Company has adopted a set of code of practice on terms no less exacting than the standards required in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry with all Directors of the Company, the Company confirms that each of the Directors has complied with the required standards regarding securities transactions by Directors set out in the Model Code and Code for Securities Transactions of China National Building Material Company Limited during the Reporting Period.

SHARE CAPITAL STRUCTURE

	As at 30 June 2011	
	Number of shares	Percentage of issued share capital
Domestic Shares	2,519,854,366	46.67%
H Shares	2,879,171,896	53.33%
Total share capital	5,399,026,262	100%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2011, neither the Company nor 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 2011.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group had approximately 74,064 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, each member of 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 in principal is performance based depending on duties and responsibilities while bonus is linked to the overall profitability of the Company.

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 shareholders' value, on 28 February 2006, the Company adopted a long-term incentive plan of share appreciation rights (the "Plan") for the Group's senior management officers, senior experts and specialists who made important contributions to the Group.

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

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

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

As the SA Rights vest at different amounts until the grantee have completed a specified period of service, the Company recognized the services received and a liability of RMB1,438,680 (2010: RMB1,438,680) during the year, being the estimated compensation for service rendered by the grantee during the year.

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

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS AND SUPERVISORS)

(1) Substantial shareholders and persons who have interests or short positions discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")

So far as was known to Directors or Supervisors of the Company, as at 30 June 2011, the shareholders (other than the Directors and Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital(%)[2, 7]	Percentage in the total share capital(%)[2, 7]
Parent[1, 6]	Domestic Shares	2,381,422,058[3]	94.50	44.10
BNBMG[1]	Domestic Shares	1,485,566,956[3]	58.95	27.52
CNBM Trading[1]	Domestic Shares	227,719,530[3]	9.04	4.22
Cinda[6]	Domestic Shares	138,432,308[3]	5.49	2.56
JP Morgan Chase & Co.	H Shares	583,594,954[3]	20.27	10.80
	H Shares	12,672,636[5]	0.44	0.23
	H Shares	132,423,975[4]	4.60	2.45
Plowden Charles	H Shares	64,274,000[3]	5.35	1.19
Warden Alison	H Shares	64,274,000[3]	5.35	1.19

Notes:

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

2. *As at 30 June 2011, the Company's total issued share capital was 5,399,026,262 shares, comprising 2,519,854,366 Domestic Shares and 2,879,171,896 H Shares.*

3. *Long position.*

4. *Lending pool.*

5. *Short position.*

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (INCLUDING DIRECTORS AND SUPERVISORS) *(CONTINUED)*

(1) Substantial shareholders and persons who have interest or short positions discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") *(Continued)*

Notes: (Continued)

6. *Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("First Transfer of Shares"). Pursuant to another share transfer agreement dated 15 December 2010 entered into between Parent and Cinda, Cinda agreed to transfer 12,800,137 Domestic Shares of the Company to Parent ("Second Transfer of Shares"). Consequently, under the SFO, Parent was deemed to own 2,443,222,195 Domestic Shares (representing 96.95% in the existing domestic shares capital and 45.25% in the existing total share capital) and Cinda was deemed to own 76,632,171 Domestic Shares (representing 3.04% in the existing domestic shares capital and 1.41% in the existing total share capital). As at 30 June 2011, the formalities in respect of the registration of the First Transfer of Shares and Second Transfer of Shares with the China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this report, the formalities in respect of the said registrations of the transfer of shares are still under process and are yet to complete.*

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

Save as disclosed above, as at 30 June 2011, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(2) Interests and Short Positions of Directors and Supervisors

As at 30 June 2011, as far as the Company is aware, none of the Directors or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Report on Review of Interim Financial Statements

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司

12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

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 statements set out on pages 39 to 82, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial statements 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 the interim financial statements 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 International 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 statements as at 30 June 2011 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Baker Tilly Hong Kong Limited
Certified Public Accountants

Andrew David Ross
Practising Certificate Number P01183

Hong Kong, 23 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June 2011 RMB'000 (unaudited)	2010 RMB'000 (unaudited)
Revenue	5	**34,559,199**	21,367,814
Cost of sales		**(24,531,147)**	(17,303,552)
Gross profit		**10,028,052**	4,064,262
Selling and distribution costs		**(982,308)**	(815,213)
Administrative expenses		**(2,271,149)**	(1,196,188)
Investment and other income	6	**1,120,163**	872,741
Finance costs - net	7	**(1,703,308)**	(1,097,293)
Share of profit of associates		**261,902**	75,283
Profit before income tax	8	**6,453,352**	1,903,592
Income tax expenses	9	**(1,727,146)**	(431,169)
Profit for the period		**4,726,206**	1,472,423
Attributable to:			
Owners of the Company		**3,605,784**	1,069,801
Non-controlling interests		**1,120,422**	402,622
		4,726,206	1,472,423
Earnings per share — basic and diluted	11	**RMB0.668**	RMB0.216

Details of dividends payable to shareholders of the Company are set out in Note 10.

The accompany notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**4,726,206**	1,472,423
Other comprehensive income/(loss):		
— Currency translation differences	**21,991**	(8,404)
Total comprehensive income for the period	**4,748,197**	1,464,019
Total comprehensive income attributable to:		
Owners of the Company	**3,627,104**	1,061,397
Non-controlling interests	**1,121,093**	402,622
Total comprehensive income for the period	**4,748,197**	1,464,019

The accompany notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	**30 June 2011 *RMB'000* (unaudited)**	31 December 2010 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	12	**57,479,875**	51,721,651
Prepaid lease payments		**6,664,447**	6,208,991
Investment properties		**285,802**	285,575
Goodwill	13	**9,392,253**	9,034,431
Intangible assets		**1,701,280**	1,480,261
Interests in associates	14	**3,393,455**	3,152,043
Investments	17	**192,678**	148,911
Deposits	15	**3,429,230**	2,794,729
Deferred income tax assets		**852,199**	753,946
		83,391,219	75,580,538
Current assets			
Inventories		**9,501,241**	7,209,560
Trade and other receivables	16	**20,875,265**	17,111,259
Investments	17	**849,618**	446,626
Amounts due from related parties	27(b)	**2,447,387**	1,811,141
Pledged bank deposits	18	**2,038,234**	1,267,802
Cash and cash equivalents		**10,719,668**	7,971,737
		46,431,413	35,818,125
Assets classified as held for sale	19	**561,478**	117,687
		46,992,891	35,935,812

The accompany notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2011

	Note	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Current liabilities			
Trade and other payables	20	**21,938,924**	18,707,107
Amounts due to related parties	27(b)	**1,380,005**	563,294
Borrowings	21	**36,704,899**	28,187,970
Derivative financial instruments		**2,505**	1,111
Obligations under finance leases		**899,139**	572,426
Current income tax liabilities		**1,629,464**	1,248,421
Financial guarantee contracts due within one year		**—**	3,588
Dividend payable to non-controlling interests		**339,738**	185,416
		62,894,674	49,469,333
Liabilities associated with assets classified as held for sale	19	**338,137**	—
		63,232,811	49,469,333
Net current liabilities		**(16,239,920)**	(13,533,521)
Total assets less current liabilities		**67,151,299**	62,047,017
Non-current liabilities			
Borrowings	21	**31,587,242**	30,930,495
Deferred income		**357,902**	320,912
Obligations under finance leases		**2,544,772**	1,803,705
Financial guarantee contracts due after one year		**9,868**	9,710
Deferred income tax liabilities		**1,177,744**	1,083,809
		35,677,528	34,148,631
Net assets		**31,473,771**	27,898,386
Capital and reserves			
Share capital	22	**5,399,026**	2,699,513
Reserves		**16,616,660**	16,462,967
Capital and reserves attributable to owners of the Company		**22,015,686**	19,162,480
Non-controlling interests		**9,458,085**	8,735,906
Total equity		**31,473,771**	27,898,386

The accompany notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserves** *RMB'000*	**Statutory surplus reserve fund** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2011 (audited)	2,699,513	7,523,994	666,110	658,077	(3,467)	7,618,253	19,162,480	8,735,906	27,898,386
Total comprehensive income for the period	—	—	—	—	21,320	3,605,784	3,627,104	1,121,093	4,748,197
Transactions with owners in their capacity as owners:									
Issue of bonus shares *(Note 22)*	2,699,513	(2,699,513)	—	—	—	—	—	—	—
Dividends *(Note 10)*	—	—	—	—	—	(502,109)	(502,109)	—	(502,109)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	(352,094)	(352,094)
Decrease in non-controlling interests as a result of increase in interests in subsidiaries *(Note 24)*	—	—	(278,352)	—	—	—	(278,352)	(379,839)	(658,191)
Contribution from non-controlling interests	—	—	—	—	—	—	—	185,497	185,497
Increase in non-controlling interests as a result of acquisition of new subsidiaries *(Note 23(a))*	—	—	—	—	—	—	—	144,700	144,700
Decrease in non-controlling interests as a result of disposal of a subsidiary *(Note 23(b))*	—	—	—	—	—	—	—	(1,503)	(1,503)
Share of reserves of associates	—	—	6,563	—	—	—	6,563	4,325	10,888
Appropriation to statutory reserve	—	—	—	18,813	—	(18,813)	—	—	—
At 30 June 2011 (unaudited)	5,399,026	4,824,481	394,321	676,890	17,853	10,703,115	22,015,686	9,458,085	31,473,771

The accompany notes are an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010 (audited)	2,481,215	4,817,043	517,939	379,878	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428
Total comprehensive (loss)/income for the period	—	—	—	—	(8,404)	1,069,801	1,061,397	402,622	1,464,019
Transactions with owners in their capacity as owners:									
Dividends *(Note 10)*	—	—	—	—	—	(173,685)	(173,685)	—	(173,685)
Dividends paid to the non-controlling interests of subsidiaries	—	—	—	—	—	—	—	(67,225)	(67,225)
Increase in non-controlling interests as a result of acquisition of new subsidiaries	—	—	—	—	—	—	—	73,964	73,964
Contribution from non-controlling interests	—	—	164,341	—	—	—	164,341	583,155	747,496
Forfeiture interests from non-controlling interests of subsidiaries	—	—	8,920	—	—	—	8,920	(19,734)	(10,814)
Decrease in non-controlling interests as a result of increase in interests in subsidiaries	—	—	9,989	—	—	—	9,989	(204,255)	(194,266)
At 30 June 2010 (unaudited)	2,481,215	4,817,043	701,189	379,878	(10,416)	5,596,820	13,965,729	5,389,188	19,354,917

The accompany notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**4,884,188**	1,834,999
Investing activities		
Purchases of property, plant and equipment	**(4,900,369)**	(4,379,297)
Purchases of intangible assets	**(202,471)**	(209,501)
Other investing cash flows - net	**(4,080,035)**	(4,591,982)
Net cash used in investing activities	**(9,182,875)**	(9,180,780)
Financing activities		
Dividends paid to shareholders	**(502,109)**	(173,685)
Dividends paid to non-controlling interests of subsidiaries	**(205,630)**	(44,850)
Repayment of borrowings	**(18,381,121)**	(17,381,442)
New bank borrowings raised	**27,089,167**	28,453,580
Other financing cash flows - net	**(975,680)**	(1,081,979)
Net cash generated from financing activities	**7,024,627**	9,771,624
Net increase in cash and cash equivalents	**2,725,940**	2,425,843
Cash and cash equivalents at 1 January	**7,971,737**	3,843,633
Effect of foreign exchange rate changes	**21,991**	(8,404)
Cash and cash equivalents at 30 June	**10,719,668**	6,261,072

The accompany notes are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL INFORMATION

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

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in manufacturing and trading of building materials. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

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

The condensed consolidated interim financial statements has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (as revised in 2008))
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IAS 34 (Amendments)	Interim Financial Reporting
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and amended standards had no material effect on the amounts reported and disclosures set out in the condensed consolidated interim financial statements of the Group for the current or prior accounting periods:

- IAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. See note 27 for disclosures of transactions among government related entities.

- IAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

IFRS 1 (Amendments)	Additional Exemption for Entities Ceasing to Suffer from Severe Hyperinflation for First-Time Adopters[1]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive income[3]
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[2]
IAS 19 (as revised in 2011)	Employee Benefits[4]
IAS 27 (as revised in 2011)	Separate Financial Statements[4]
IAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[4]

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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

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

There have been no changes in the risk management department since year end or in any risk management policies.

4.2 Liquidity risk

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

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value estimation

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Held-for-trading investments	849,618	—	—	849,618
Total assets	849,618	—	—	849,618
Liabilities				
Derivative financial instruments	—	2,505	—	2,505
Total liabilities	—	2,505	—	2,505

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

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

In 2011, there were no significant transfers between levels of the financial assets.

In 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

In 2011, there were no reclassification of financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the period ended 30 June 2011 and 31 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2011

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
INCOME STATEMENT							
Revenue							
External sales	2,513,684	26,438,298	2,404,157	976,324	2,226,736	—	34,559,199
Inter-segment sales *(Note)*	—	—	587,201	—	27,339	(614,540)	—
	2,513,684	26,438,298	2,991,358	976,324	2,254,075	(614,540)	34,559,199
Adjusted EBITDA (unaudited)	468,708	8,055,312	168,776	153,590	310,377	—	9,156,763
Depreciation and amortisation	(116,689)	(1,044,665)	(15,291)	(50,285)	(13,731)	288	(1,240,373)
Unallocated other income							51,300
Unallocated other expenses							(8,302)
Unallocated administrative expenses							(64,630)
Share of profit / (loss) of associates	(990)	143,826	—	108,087	10,979	—	261,902
Finance costs — net							(1,703,308)
Profit before income tax							6,453,352
Income tax expenses							(1,727,146)
Profit for the period (unaudited)							4,726,206

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments is presented as below: *(Continued)*

As at 30 June 2011

	Lightweight building materials	Cement	Engineering	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	7,465,402	88,694,493	4,611,563	4,838,394	3,612,883	—	109,222,735
Interests in associates	187,686	1,615,051	11,792	1,500,178	78,748	—	3,393,455
Unallocated assets							17,767,920
Total consolidated assets (unaudited)							130,384,110
LIABILITIES							
Segment liabilities	1,713,917	15,575,799	2,234,186	1,505,750	506,521	—	21,536,173
Unallocated liabilities							77,374,166
Total consolidated liabilities (unaudited)							98,910,339

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments is presented as below: *(Continued)*

For the six months ended 30 June 2010

	Lightweight building materials	Cement	Engineering	Glass fiber and composite materials	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INCOME STATEMENT							
Revenue							
External sales	1,880,404	15,402,709	1,604,233	1,316,540	1,163,928	—	21,367,814
Inter-segment sales *(Note)*	2,496	—	416,103	—	21,939	(440,538)	—
	1,882,900	15,402,709	2,020,336	1,316,540	1,185,867	(440,538)	21,367,814
Adjusted EBITDA (unaudited)	347,030	3,165,251	302,545	206,732	9,518	—	4,031,076
Depreciation and amortisation	(86,001)	(911,905)	(8,964)	(29,677)	(10,338)	288	(1,046,597)
Unallocated other expenses							(700)
Unallocated administrative expenses							(58,177)
Share of profit / (loss) of associates	(2,164)	17,356	—	60,066	25	—	75,283
Finance costs — net							(1,097,293)
Profit before income tax							1,903,592
Income tax expenses							(431,169)
Profit for the period (unaudited)							1,472,423

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments is presented as below: *(Continued)*

As at 31 December 2010

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

Note: The inter-segment sales were carried out with reference to market price.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Adjusted EBITDA for reportable segments	**8,846,386**	4,021,558
Adjusted EBITDA for other segment	**310,377**	9,518
Total segments	**9,156,763**	4,031,076
Depreciation of property, plant and equipment	**(1,096,006)**	(939,997)
Amortisation of intangible assets	**(54,756)**	(41,272)
Prepaid lease payments released to the consolidated income statement	**(89,611)**	(65,328)
Corporate items	**(21,632)**	(58,877)
Operating profit	**7,894,758**	2,925,602
Finance costs — net	**(1,703,308)**	(1,097,293)
Share of profit of associates	**261,902**	75,283
Profit before income tax	**6,453,352**	1,903,592

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

6. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other investments income	**12,814**	5,974
Changes in fair value of held-for-trading investments	**205,317**	(21,804)
Financial guarantee income	**3,430**	1,580
Government subsidies		
VAT refunds *(Note a)*	**404,462**	320,598
Government grants *(Note b)*	**343,333**	397,274
Interest subsidy	**4,748**	15,360
Net rental income	**23,657**	21,526
Technical and other service income	**—**	9,207
Discount on acquisition of interests in subsidiaries	**51,842**	30,847
Claims received	**3,793**	27,543
Gain on disposal of property, plant and equipment	**—**	4,404
Waiver of payables	**15,128**	26,944
Others	**51,639**	33,288
	1,120,163	872,741

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

7. FINANCE COSTS — NET

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowings and other borrowings		
— wholly repayable within five years	**1,870,338**	1,199,204
— not wholly repayable within five years	**56,361**	65,930
	1,926,699	1,265,134
Less: Interest capitalised to construction in progress	**(148,834)**	(116,465)
	1,777,865	1,148,669
Interest income	**(74,557)**	(51,376)
Finance costs — net	**1,703,308**	1,097,293

8. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment and investment properties	**1,110,400**	944,052
Amortisation of intangible assets	**54,756**	41,272
Prepaid lease payments released to consolidated income statement	**89,611**	65,328
Allowance for bad and doubtful debts	**188,005**	13,545
Write down of inventories	**982**	3,624
Impairment loss on property, plant and equipment	**96,848**	116,524
Impairment loss on goodwill of subsidiaries *(Note 13)*	**49,450**	—
Staff costs	**1,562,553**	1,112,601
Net exchange losses	**18,874**	8,724
Loss on disposal of subsidiaries *(Note 23(b))*	**863**	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**1,697,721**	513,645
Deferred income tax	**29,425**	(82,476)
	1,727,146	431,169

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

10. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends *(Note a)*	**502,109**	173,685

Notes:

(a) During the period, a dividend amounting to approximately RMB502.11 million (Six months ended 30 June 2010: approximately RMB173.69 million) was announced 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 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit attributable to owners of the Company	**3,605,784**	1,069,801

	Six months ended 30 June	
	2011	2010
	(unaudited)	(restated)
Issued ordinary shares at 1 January	**2,699,513,131**	2,481,215,273
Effect of capitalisation issue	**2,699,513,131**	2,481,215,273
Weighted average number of ordinary shares in issue after restatement for capitalisation issue in 2011	**5,399,026,262**	4,962,430,546

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

12. PROPERTY, PLANT AND EQUIPMENT

As at six months ended 30 June 2011

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2011 (audited)	5,364,126	20,524,149	25,093,509	739,867	51,721,651
Additions	3,276,896	1,317,052	568,656	84,560	5,247,164
Acquired on acquisition of subsidiaries *(Note 23(a))*	451,364	967,200	845,548	24,514	2,288,626
Transfer from construction in progress	(3,021,586)	952,620	2,065,990	2,976	—
Transfer to construction in progress or reconstruction	23,905	(5,678)	(17,654)	(573)	—
Transfer to assets classified as held of sale *(Note19)*	(53,725)	(128,062)	(78,816)	(1,281)	(261,884)
Disposals	(21,150)	(8,713)	(288,566)	(3,487)	(321,916)
Disposal of subsidiaries *(Note 23(b))*	—	(18)	(394)	(75)	(487)
Depreciation and impairment	(52,709)	(267,024)	(839,090)	(34,456)	(1,193,279)
Net book value as at 30 June 2011 (unaudited)	5,967,121	23,351,526	27,349,183	812,045	57,479,875

As at 31 December 2010

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2010 (audited)	5,573,607	13,320,580	17,336,488	358,937	36,589,612
Additions	6,904,523	2,129,926	1,349,105	394,718	10,778,272
Acquired on acquisition of subsidiaries *(Note 23(a))*	1,688,998	2,396,746	2,542,350	49,570	6,677,664
Transfer from construction in progress	(8,720,927)	3,388,810	5,321,726	10,391	—
Transfer to construction in progress or reconstruction	154,032	(1,387)	(152,645)	—	—
Transfer to assets classified as held for sale *(Note 19)*	—	(48,889)	(38,793)	—	(87,682)
Disposals	(100,293)	(189,443)	159,592	(10,335)	(140,479)
Disposal of the subsidiaries *(Note 23(b))*	—	(655)	(195)	(34)	(884)
Transfer from investment property	—	5,788	—	—	5,788
Transfer to investment properties	—	(13,093)	—	—	(13,093)
Depreciation and impairment	(135,814)	(464,234)	(1,424,119)	(63,380)	(2,087,547)
Net book value as at 31 December 2010 (audited)	5,364,126	20,524,149	25,093,509	739,867	51,721,651

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

13. GOODWILL

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At the beginning of the period/year	**9,034,431**	7,044,298
Arising from acquisition of		
— subsidiaries *(Note 23(a))*	**557,732**	1,990,133
— operation	**5,872**	—
Transfer to assets classified as held for sale *(Note 19)*	**(156,332)**	—
Impairment for the period/year	**(49,450)**	—
At the end of the period/year	**9,392,253**	9,034,431

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Lightweight building materials	**87,205**	87,205
Cement	**9,253,526**	8,895,704
Engineering services	**62**	62
Glass fiber and composite materials	**32,690**	32,690
Others	**18,770**	18,770
	9,392,253	9,034,431

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

14. INTERESTS IN ASSOCIATES

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Cost of investments in associates		
— listed in the PRC	**155,466**	156,728
— unlisted	**1,888,447**	1,891,311
Share of post-acquisition profit, net of dividend received	**1,349,542**	1,104,004
	3,393,455	3,152,043
Fair value of listed investments	**6,193,114**	5,477,642

As at 30 June 2011, the cost of investments in associates included goodwill of associates of approximately RMB71.28 million (31 December 2010: approximately RMB177.14 million).

15. DEPOSITS

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Investment deposits for acquisition of subsidiaries	**1,426,955**	690,510
Deposits paid to acquire property, plant and equipment	**1,813,574**	1,603,029
Deposits paid to acquire intangible assets	**79,643**	33,461
Deposits paid in respect of prepaid lease payments	**109,058**	467,729
	3,429,230	2,794,729

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

16. TRADE AND OTHER RECEIVABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables, net of allowance for bad and doubtful debts	**6,131,883**	5,313,426
Bills receivable	**6,952,001**	5,018,136
Amounts due from customers for contract work	**724,861**	849,813
Loans receivable	**49,893**	42,611
Prepaid lease payments	**154,381**	133,148
Other receivables, deposits and prepayments	**6,862,246**	5,754,125
	20,875,265	17,111,259

The Group normally allowed an average of credit period of 60 to 180 days to its trade customers. Ageing analysis of trade receivables are as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
Within two months	**2,564,950**	2,809,890
More than two months but within one year	**2,872,086**	1,741,250
Between one and two years	**338,240**	547,875
Between two and three years	**278,895**	109,995
Over three years	**77,712**	104,416
	6,131,883	5,313,426

The carrying amounts of trade and other receivables approximate to their fair values. Bills receivable is aged within six months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

17. INVESTMENTS

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Available-for-sale financial assets		
Unlisted equity shares	**192,678**	148,911
Held-for-trading investments at market value:		
Quoted investment funds	**32,064**	51
Quoted listed equity shares	**817,554**	446,575
	849,618	446,626

18. PLEDGED BANK DEPOSITS

At 30 June 2011, the Group pledged approximately RMB2,038.23 million bank deposits (31 December 2010: approximately RMB1,267.80 million) to bankers of the Group to secure the banking borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The pledged bank deposits carry interest at market rates which range from 0.36% to 3.5% (31 December 2010: 0.36% to 2.75%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

19. Assets classified as held for sale/Liabilities associated with assets classified as held for sale

	30 June 2011			
	Disposal of partial equity interests of subsidiaries	**Disposal of assets**	**Total**	31 December 2010
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
	(Note (a))	*(Note (b),(c))*	***(unaudited)***	*(audited)*
Assets:				
Prepaid lease payments	**48,933**	**30,005**	**78,938**	30,005
Property, plant and equipment *(Note 12)*	**261,884**	**87,682**	**349,566**	87,682
Goodwill *(Note 13)*	**156,332**	**—**	**156,332**	—
Trade and other receivables	**233,382**	**—**	**233,382**	—
Cash and cash equivalents	**15,239**	**—**	**15,239**	—
Inventories	**68,282**	**—**	**68,282**	—
Total assets	**784,052**	**117,687**	**901,739**	117,687
Transfer of remaining interests to interests in associates	**(340,261)**	**—**	**(340,261)**	—
Assets classified as held for sale	**443,791**	**117,687**	**561,478**	117,687
Liabilities:				
Trade and other payables	**448,112**	**—**	**448,112**	—
Borrowings	**112,580**	**—**	**112,580**	—
Total liabilities	**560,692**	**—**	**560,692**	—
Transfer of remaining interests to interests in associates	**(222,555)**	**—**	**(222,555)**	—
Liabilities associated with assets of disposal of partial subsidiaries classified as held for sale	**338,137**	**—**	**338,137**	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

19. Assets classified as held for sale/Liabilities associated with assets classified as held for sale *(Continued)*

Notes:

(a) *On 25 June 2011, the Group entered into 4 disposal agreements to partially dispose of its 51% equity interests in 4 subsidiaries, Deqing Jiayuan South Cement Company Limited (德清加元南方水泥有限公司), Shaoxing South Cement Company Limited (紹興南方水泥有限公司), Zhuji South Cement Company Limited (諸暨南方水泥有限公司) and Haining Sanshi Cement Company Limited (海寧市三獅水泥有限責任公司) for total consideration of RMB111 million. Those disposed subsidiaries are principally engaged in the production, storage and sale of cement.*

The assets and liabilities attributable to these subsidiaries have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. After disposal, the remaining equity interests in the 4 subsidiaries are transferred to interests in associates.

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

The property and land use rights related have been accounted for as held for sale following shareholders' approval of the decision to reallocate of this locations operation. At 30 June 2010, the relocation is still in progress. The subsidiary will continue its operation once the relocation is completed.

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

The equipment and land use right related to Xi San Qi Beijing Operation Base have been accounted for as held for sale following shareholders' approval of the decision to reallocate of this locations operation. At 30 June 2011, the relocation is still in progress.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

20. TRADE AND OTHER PAYABLES

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Trade payables	**9,064,413**	8,648,665
Bills payable	**3,622,691**	2,294,982
Provision for share appreciation rights	**8,644**	12,665
Amounts due to customers for contract work	**30,469**	170,118
Other payables	**9,212,707**	7,580,677
	21,938,924	18,707,107

The aged analyses of trade payables are as follows:

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Trade payables		
Within two months	**5,190,530**	5,729,456
More than two months but within one year	**2,830,950**	1,959,653
Between one and two years	**681,988**	486,494
Between two and three years	**96,308**	377,164
Over three years	**264,637**	95,898
	9,064,413	8,648,665

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

21. BORROWINGS

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Bank borrowings:		
— Secured	**5,646,416**	4,661,910
— Unsecured	**61,007,452**	53,427,437
	66,653,868	58,089,347
Bonds	**1,600,000**	1,000,000
Other borrowings from non-financial institutions	**38,273**	29,118
	68,292,141	59,118,465

Analysed for reporting purposes:

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Non-current	**31,587,242**	30,930,495
Current	**36,704,899**	28,187,970
	68,292,141	59,118,465

The interest rates of the borrowings are ranging from 3.94% to 9.47% per annum during the period (2010: 4.23% to 7.47%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

21. BORROWINGS *(Continued)*

Movement in borrowings is analysed as follows:

Six months ended 30 June 2011	***RMB'000***
Opening amount at 1 January 2011 (audited)	**59,118,465**
Additions during the period	**27,089,167**
Acquisition of subsidiaries *(Note 23a)*	**465,630**
Repayments of borrowings	**(18,381,121)**
Closing amount at 30 June 2011 (unaudited)	**68,292,141**

Six months ended 30 June 2010	*RMB'000*
Opening amount at 1 January 2010 (audited)	41,015,926
Additions during the period	28,453,580
Acquisition of subsidiaries	2,138,474
Repayments of borrowings	(17,381,442)
Closing amount at 30 June 2010 (unaudited)	54,226,538

Note:

The bank borrowings of approximately RMB5,646.42 million (31 December 2010: approximately RMB4,661.91 million) are secured by the following assets of the Group:

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Property, plant and equipment	**3,803,558**	3,077,650
Prepaid lease payments	**474,170**	407,700
Investment properties	**220,414**	227,081
Mining rights	**—**	14,989
Cash and cash equivalents	**2,038,234**	1,267,802
Trade receivables	**—**	20,646
Bill receivables	**2,363,002**	1,794,878
	8,899,378	6,810,746

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

22. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	**Amount** *RMB'000*	**Number of shares**	**Amount** *RMB'000*	**Total capital** *RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2010	1,280,577,054	1,280,577	1,200,638,219	1,200,638	2,481,215
Issuance of new H shares	—	—	218,297,858	218,298	218,298
Conversion of Domestic shares into H shares	(20,649,871)	(20,650)	20,649,871	20,650	—
As at 31 December 2010 and 1 January 2011	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
Bonus shares issue *(Note (c))*	1,259,927,183	1,259,927	1,439,585,948	1,439,586	2,699,513
As at 30 June 2011	2,519,854,366	2,519,854	2,879,171,896	2,879,172	5,399,026

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities only.

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

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b), the shares mentioned above rank pari passu in all respects with each other.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*
FOR THE SIX MONTHS ENDED 30 JUNE 2011

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries

During the period, the Group acquired 13 subsidiaries from independent third parties. The acquired subsidiaries are principally engaged in the production and sale of cement.

These acquisitions have been accounted for using the purchase method.

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	30 June 2011 Fair value *RMB'000* (unaudited)	31 December 2010 Fair value *RMB'000* (audited)
Net assets acquired:		
Property, plant and equipment *(Note12)*	**2,288,626**	6,677,664
Investment properties	**4,148**	2,929
Intangible assets	**117,563**	264,163
Interests in associates	**—**	470
Prepaid lease payments	**347,167**	853,821
Available-for-sale investments	**20,000**	523
Deferred income tax assets	**117,969**	213,681
Inventories	**214,105**	805,994
Trade and other receivables	**761,785**	1,848,640
Amounts due from the related parties	**—**	178,034
Pledge bank deposits	**—**	7,621
Cash and cash equivalent	**177,308**	1,111,863
Trade and other payables	**(2,011,551)**	(5,141,653)
Current income tax liabilities	**(8,095)**	(72,613)
Dividend payable to non-controlling interest	**(74,369)**	—
Amounts due to the related parties	**—**	(403,051)
Borrowings *(Note 21)*	**(465,630)**	(3,694,939)
Obligation under finance leases	**(32,309)**	—
Deferred income tax liabilities	**(94,713)**	(219,932)
Net assets	**1,362,004**	2,433,215

The acquisition-related costs of approximately RMB1.96 million have been recognised in the condensed consolidated income statement. These would previously have been included in the consideration for the business combination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows:

	30 June 2011 Fair value *RMB'000* (unaudited)	31 December 2010 Fair value *RMB'000* (audited)
Net assets acquired	**1,362,004**	2,433,215
Non-controlling interests	**(144,700)**	(813,118)
Interests of transferred from associated companies	**(265,697)**	(406,764)
Discount on acquisition of interests in subsidiaries	**(51,842)**	(52,032)
Goodwill *(Note 13)*	**557,732**	1,990,133
Total consideration	**1,457,497**	3,151,434

	30 June 2011 *RMB'000* (unaudited)	31 December 2010 *RMB'000* (audited)
Total consideration satisfied by:		
Cash	**390,262**	2,391,683
Other payables	**1,067,235**	759,751
	1,457,497	3,151,434
Net cash outflow arising on acquisition:		
Cash consideration paid	**(390,262)**	(2,391,683)
Less: Cash and cash equivalents acquired	**177,308**	1,111,863
	(212,954)	(1,279,820)

The non-controlling interests are measured at the value of their proportionate share of the recognised amount of net assets acquired at the acquisition date.

The goodwill arising on the acquisition of these cement companies is attributable to the benefit of expected revenue growth and future market development in Jiangxi province and North Region, and the synergies in consolidating the Group's cement operations. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Acquisition of subsidiaries and assets through acquisition of subsidiaries *(Continued)*

Approximately RMB55.68 million is included in the profit for the period which is attributable by these newly acquired cement companies. Had these business combinations been effected at 1 January 2011, the revenue of the Group would be approximately RMB35,661.60 million, and profit for the period of the Group would be approximately RMB4,848.42 million. The directors of the Group consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

(b) Disposal of subsidiaries

During the period, the Group disposed of the entire equity interests in a subsidiary of the Group, for the consideration of RMB3 million.

(i) (Loss)/gain for the period/year generated from the disposal of the subsidiaries comprised:

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
(Loss)/gain on disposal of subsidiaries	**(863)**	10,740

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

23. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

(ii) Details of the assets and liabilities of disposed of and the (loss)/gain on disposal are as follows:

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Assets and liabilities disposed of:		
Property, plant and equipment *(Note 12)*	**487**	884
Intangible assets	**1,178**	—
Inventories	**433**	—
Deferred income tax assets	**—**	21
Trade and other receivables	**506**	12,664
Cash and cash equivalents	**2,788**	210
Trade and other payables	**(26)**	(18,119)
Non-controlling interests	**(1,503)**	—
Net assets/(liabilities) disposal of	**3,863**	(4,340)
Purchase consideration:		
Cash received	**3,000**	6,400
Total consideration	**3,000**	6,400
Less: Net (assets)/liabilities disposed of	**(3,863)**	4,340
(Loss)/gain on disposal of the subsidiaries	**(863)**	10,740
Inflow of cash arising from disposal of the subsidiaries		
Cash consideration	**3,000**	6,400
Cash and cash equivalents in the subsidiaries disposal of	**(2,788)**	(210)
Net cash inflow from disposal of the subsidiaries	**212**	6,190

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

24. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the six months ended 30 June 2011, the Group acquired additional issued shares of 9 subsidiaries for a purchase consideration of approximately RMB658.19 million. The carrying amount of the non-controlling interests in those subsidiaries on the date of acquisition was approximately RMB379.84 million. The Group recognised a decrease in non-controlling interests of approximately RMB379.84 million and an decrease in equity attributable to owners of the Group of approximately RMB278.35 million.

Details of the Group's significant acquisition of additional interests in subsidiaries during the period are as follows:

On 1 January 2011, South Cement Company Limited ("South Cement"), a 80% owned subsidiary of the Company, acquired an additional 30.2% of the issued shares of Fuyang South Cement Company Limited ("Fuyang") for a purchase consideration of approximately RMB115 million. The carrying amount of the non-controlling interests in Fuyang on the date of acquisition was approximately RMB15.79 million. The Group recognised a decrease in non-controlling interests of approximately RMB15.79 million and an decrease in equity attributable to owners of the Group of approximately RMB99.21 million.

On 1 January 2011, South Cement acquired an additional 20% of the issued shares of Jiaxing South Cement Company Limited ("Jiaxing") for a purchase consideration of approximately RMB355 million. The carrying amount of the non-controlling interests in Jiaxing on the date of acquisition was approximately RMB226.64 million. The Group recognised a decrease in non-controlling interests of approximately RMB226.64 million and an decrease in equity attributable to owners of the Group of approximately RMB128.36 million.

On 1 January 2011, South Cement acquired an additional 29.65% of the issued shares of Zhejiang Sanshi Cement Company Limited ("Zhejiang Sanshi") for a purchase consideration of approximately RMB56.51 million. The carrying amount of the non-controlling interests in Zhejiang Sanshi on the date of acquisition was approximately RMB17.81 million. The Group recognised a decrease in non-controlling interests of approximately RMB17.81 million and a decrease in equity attributable to owners of the Group of approximately RMB38.70 million.

Acquisition of additional interests in subsidiaries

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Carrying amount of non-controlling interests acquired	**379,839**	235,108
Consideration paid to non-controlling interests	**(658,191)**	(270,497)
Excess of consideration paid recognised within equity	**(278,352)**	(35,389)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

25. COMMITMENTS

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Capital expenditure of the Group contracted for but not provided in the financial statements in respect of:		
— Acquisition of property, plant and equipment	**3,039,064**	2,884,169
— Acquisition of prepaid lease commitments	**33,042**	—
— Acquisition of subsidiaries	**—**	143,061
— Acquisition of mining rights	**8,000**	—

26. CONTINGENT LIABILITIES

At the end of reporting period, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Guarantees given to banks in respect of banking facilities utilised by:		
— independent third parties	**88,000**	139,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS

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 non-controlling interests of the subsidiaries are hereinafter collectively referred to as "state-controlled enterprises"). In accordance with IAS 24 (revised), "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Parent Group, other government-related entities and their subsidiaries ("other state-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and the Parent Company as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

In addition to the transactions detailed elsewhere in this consolidated interim financial statements, the Group had the following material transactions with the related parties:

(a) During the six months ended 30 June 2011, the Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies to		
— the Parent Group	**21,550**	11,352
— Associates	**40,769**	—
— Non-controlling interests of subsidiaries	**51,623**	—
	113,942	11,352
Provision of support services to the Parent Group	**126,559**	4,801
Rental income in respect of supply of equipment to the Parent Group	**2,572**	3,991
Rental income received from		
— the Parent Group	**379**	—
— Associates	**9,411**	9,325
	9,790	9,325

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions detailed elsewhere in this consolidated interim financial statements, the Group had the following material transactions with the related parties: *(Continued)*

(a) During the six months ended 30 June 2011, the Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests of the Group's subsidiaries: *(Continued)*

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses paid to non-controlling interests of subsidiaries	**—**	776
Interest income received from associates	**2,464**	2,136
Supply of raw material by		
— the Parent Group	**50,866**	55,289
— Associates	**22,798**	1,403
— Non-controlling interests of subsidiaries	**16,200**	5,136
	89,864	61,828
Provision of production supplies by		
— the Parent Group	**103,618**	49,930
— Non-controlling interests of subsidiaries	**36,693**	1,928
	140,311	51,858
Provision of support services by		
— the Parent Group	**3,953**	1,602
— Non-controlling interests of subsidiaries	**778**	—
	4,731	1,602
Rental expenses paid to Non-controlling interests of subsidiaries	**644**	—
Supplying of equipment by the Parent Group	**27,970**	24,655

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions detailed elsewhere in this consolidated interim financial statements, the Group had the following material transactions with the related parties: *(Continued)*

(b) As at 30 June 2011, the Group has the following amounts due from and to related parties:

	30 June 2011 ***RMB'000*** **(unaudited)**	31 December 2010 *RMB'000* (audited)
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**838,148**	710,278
Associates	**76,732**	13,566
Non-controlling interests of subsidiaries	**179,400**	210,244
	1,094,280	934,088
Non-trading in nature:		
Fellow subsidiaries	**58,305**	295,608
Associates	**326,132**	112,580
Immediate holding company	**48**	182,534
Non-controlling interests of subsidiaries	**968,622**	286,331
	1,353,107	877,053
	2,447,387	1,811,141
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**137,490**	118,936
Associates	**25,296**	1,250
Non-controlling interests of subsidiaries	**21,461**	10,544
	184,247	130,730
Non-trading in nature:		
Fellow subsidiaries	**11,422**	212,744
Associate	**34,383**	4,864
Immediate holding company	**125,220**	100,000
Non-controlling interests of subsidiaries	**1,024,733**	114,956
	1,195,758	432,564
	1,380,005	563,294

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions detailed elsewhere in this consolidated interim financial statements, the Group had the following material transactions with the related parties: *(Continued)*

(b) As at 30 June 2011, the Group has the following amounts due from and to related parties: *(Continued)*

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

As at 30 June 2011, no amounts due from related parties (31 December 2010 : approximately RMB119.51 million stipulated by the banks for the corresponding period at rate of 5.35% per annum) carry the variable loan interest rate and approximately RMB98.90 million (31 December 2010 : Nil) carry fixed interest rate at 5.31% (31 December 2010 : Nil) per annum. The remaining balances of amounts due from related parties are interest-free.

As at 30 June 2011, no amounts due to related parties (31 December 2010 : approximately RMB6 million stipulated by the banks for the corresponding period at rate of 5.35% per annum) carry the variable interests and approximately RMB95.28 million (31 December 2010: RMB106.44 million) carry fixed interest of 12% (31 December 2010: 5.31%) per annum. The remaining balances of amounts due to related parties are interest-free.

(c) During the six months ended 30 June 2011, the Group's significant transactions with other state-owned enterprises (excluding the Parent Group) are a large portion of its sales of goods and purchases of raw materials. In addition, substantially all bank deposits, cash and cash equivalents and borrowings as of 30 June 2011 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions detailed elsewhere in this consolidated interim financial statements, the Group had the following material transactions with the related parties: *(Continued)*

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2011 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**4,167**	8,309
Post-employment benefits	**82**	74
	4,249	8,383

28. EVENTS OCCURING AFTER THE REPORTING DATE

(i) On 20 July 2011, the Board of the Company considered and approved the issue of not more than 1 billion A shares and applied for specific mandate from shareholders' general meeting and class meetings of H shares and domestic shareholders. The Company proposed to use proceeds raised from proposed A share issue in acquisition, investment in fixed assets, overhaul of the information system, repayment of bank loans and replenishment of cash flows.

Details of the proposed A share issue has been disclosed in the announcement of the Company published on 20 July 2011 and its circular published on 1 August 2011. As at the date of this report, the proposed A share issue has yet to be approved by the shareholders.

(ii) China Fiberglass Company Limited, an associate of the Group, completed the deal to acquire 49% equity interest in Jushi Group through share issuance on 4 August 2011. Jushi Group became a wholly owned subsidiary of China Fiberglass Company Limited.

29. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements set out on pages 39 to 82 have been approved and authorised for issue by the Board of Directors on 23 August 2011.