China National Materials Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability) (Stock Code: 01893)

INTERIM REPORT 2009

Materials Innovating Prosperity

Contents

Corporate Information

As at 30 June 2009

Directors

Executive Directors

TAN Zhongming *(Chairman)*
ZHOU Yuxian *(President)*

Non-executive Directors

YU Shiliang
LIU Zhijiang
CHEN Xiaozhou

Independent Non-executive Directors

YANG Yuzhong
ZHANG Lailiang
ZHANG Qiusheng
LEUNG Chong Shun

Supervisors

XU Weibing *(Chairman)*
WANG Baoguo
ZHANG Renjie
WANG Jianguo
ZHANG Lirong
WANG Wei
YU Xingmin

Strategy Committee

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian
YANG Yuzhong
CHEN Xiaozhou

Audit Committee

ZHANG Qiusheng *(Chairman)*
ZHANG Lailiang
LIU Zhijiang

Remuneration Committee

ZHANG Lailiang *(Chairman)*
ZHANG Qiusheng
LEUNG Chong Shun

Nomination Committee

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian

Board Secretary

SU Kui

Joint Company Secretaries

SU Kui
YU Leung Fai (HKICPA, AICPA)

Authorised Representatives

ZHOU Yuxian
YU Leung Fai (HKICPA, AICPA)

Registered Office and Place of Business

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035
PRC

Place of Business in Hong Kong

7th Floor
Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

Legal Advisor

Herbert Smith (as to Hong Kong law)
Jia Yuan Law Firm (as to PRC law)

Corporate Information

As at 30 June 2009

Auditors

Hong Kong auditor
SHINEWING (HK) CPA Limited

PRC auditor
ShineWing Certified Public Accountants

Principal Bankers

China Construction Bank Corporation
Bank of Communications Co., Ltd

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

01893

Company Website

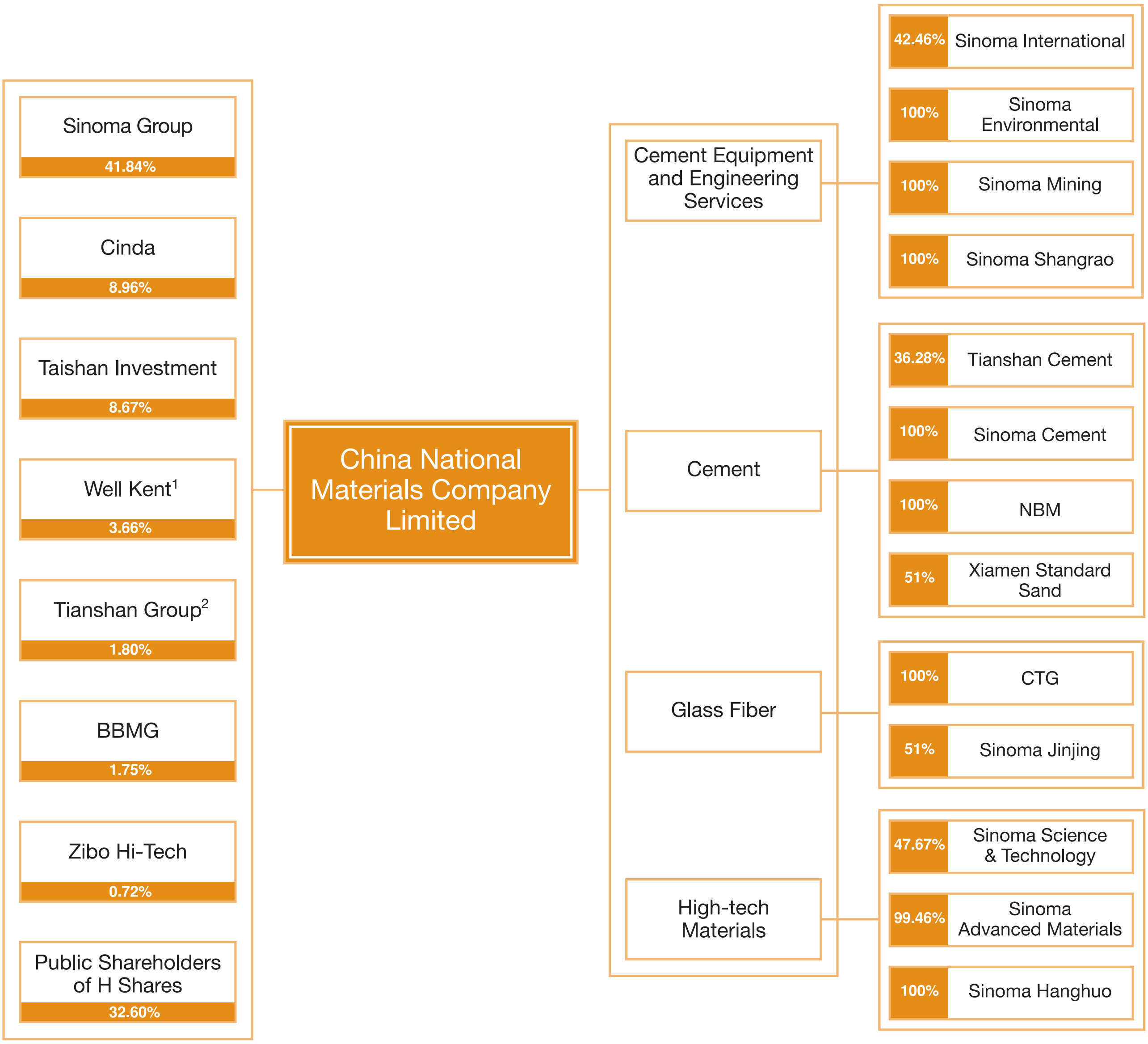
http://www.sinoma-ltd.cn

Investor Contact

Tel/Fax: (8610)8222 9925
E-mail: ir@sinoma-ltd.cn

Corporate Structure

As at 30 June 2009



Note:

1 Well Kent is a wholly-owned subsidiary of Cinda.

2 Sinoma Group holds 50.95% of the equity of Tianshan Group.

The above chart covers the first-tier subsidiaries only. The second-tier subsidiaries and below are not being listed.

Financial Summary

	Six months ended 30 June		
	2009	2008	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**12,517.36**	11,536.73	8.50
Profit for the period	**846.68**	680.94	24.34
Profit attributable to owners of the Company	**308.88**	304.44	1.46
Basic earnings per share (RMB)	**0.086**	0.085	1.18

	30 June	31 December	
	2009	2008	Change
	RMB million	RMB million	%
	(Unaudited)	(Audited)	
Total assets	**47,878.76**	44,645.08	7.24
Total liabilities	**36,118.67**	32,429.35	11.38
Equity attributable to owners of the Company	**6,960.87**	6,793.63	2.46
Equity per share (RMB)	**1.95**	1.91	2.09

Business Summary

Cement Equipment and Engineering Services

	Six months ended 30 June		
	2009	2008	Change
			%
Amount of new contracts (RMB million)	**10,668**	21,139	(49.53)

	30 June	31 December	
	2009	2008	Change
			%
Amount of backlog (RMB million)	**50,086**	47,526	5.39

Note: The amounts of new contracts and backlog as shown in the above table have deducted those contracts, which have been delayed or cancelled.

Cement

	Sales volume for the six months ended 30 June		
	2009	2008	Change
			%
Cement ('000 tonnes)	**9,141**	6,011	52.07
Clinker ('000 tonnes)	**1,614**	1,033	56.24
Standard sand (tonnes)	**11,189**	12,142	(7.85)

Note: Sales volume for the same period of 2008 did not include that of Ningxia Building Materials.

Glass Fiber

	Sales volume for the six months ended 30 June		
	2009	2008	Change %
Roving (tonne)	**98,923**	117,146	(15.56)
Mat (tonne)	**16,331**	19,909	(17.97)
Electronic yarn (tonne)	**5,100**	6,315	(19.24)
Chopped strands (tonne)	**5,155**	6,897	(25.26)
Woven roving (tonne)	**3,186**	2,972	7.20
Wet-process tissue (million sqm.)	**42.22**	57.26	(26.27)

High-Tech Materials

	Sales volume for the six months ended 30 June		
	2009	2008	Change %
Fan blades for wind power generators (sets)	**185**	36	413.89
CNG cylinder (units)	**7,357**	13,924	(47.16)
Solar-energy fused silica crucibles (units)	**1,732**	1,678	3.22
High temperature membrane filtration materials ('000 sqm.)	**123**	140	(12.14)
Fine fused quartz ceramics (units)	**7,288**	6,604	10.36

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report to the shareholders the interim report for the six months ended 30 June 2009.

In the first half of 2009, the Company proactively grasped the opportunities arising from strong domestic demand driven by the economic stimulus package of the PRC Government to overcome an unfavourable operating environment of intense industrial competition and shrinking overseas market demand in the midst of the global financial crisis. Leveraging our leading position in the industry, technological advantages and strong comprehensive competitiveness, the Company strengthened its marketing efforts to expand its domestic and overseas market share, enhance production and operation management to save costs and improve efficiency. The Company further improved its principal businesses and operating results by focusing on the development of its regional markets, products and services in which it was particularly competitive. For the six months ended 30 June 2009, the turnover of the Company was RMB12,517.36 million, representing an increase of 8.50% as compared with the corresponding period of 2008. The profit for the period was RMB846.68 million, representing an increase of 24.34% as compared with the corresponding period of 2008. Profit attributable to the owners of the Company was RMB308.88 million, representing an increase of 1.46% as compared with the corresponding period of 2008. Earnings per share were RMB0.086.

Cement equipment and engineering services

In the first half of 2009, the cement equipment and engineering services segment maintained healthy growth. With sufficient contracts on hand, together with stable exchange rates, favourable raw material prices and effective streamlining of corporate structure, turnover and profit margin of this segment continued to grow and its operating results improved significantly.

Due to its strong competitiveness, this segment recorded a continuous increase in terms of the number of completed projects as well as the amount of backlog despite the impact of the financial crisis. New contracts amounted to RMB10.7 billion for the first half of 2009, among which, new domestic contracts reached a record high. As at 30 June 2009, the amount of backlog exceeded RMB50 billion, which laid a solid foundation for continuous business growth in future.

Cement

In the first half of 2009, the Company, in line with its strategic objective of becoming the largest cement producer in Northern China, proactively consolidated and expanded its leading position in the Northwest region. Ningxia Building Materials became a wholly-owned subsidiary of the Company upon its acquisition by the Company. The Company also made investment in Qilianshan and became its second largest shareholder, which is the largest cement producer in Gansu and Qinghai. There were two clinker production lines with 2,500 tpd each in Xinjiang and Ningxia put into operation, and there were 10 production lines in the Northwest region under construction. The Company has further consolidated its leading position in the cement industry in Northwestern China.

During the reporting period, the cement business of the Company developed rapidly with substantial growth in sales volume. In Northwestern China, our major market, demand for cement was strong and the selling price was higher than the country's average price and remained high. The Company grasped opportunities to generate fruitful returns by pushing forward expansion schedule and improving the utilisation of production capacity. For the first half of 2009, net profits of Tianshan Cement and Saima Industry, our subsidiaries, grew by 100%. The Company enhanced its operation efficiency through comprehensive management improvement and technology advancement. Major operation indices were all improved as compared with the corresponding period last year. The Company adopted a sustainable development approach by implementing measures to improve the environment. During the reporting period, waste heat power generation facilities of 11MW were installed and 3 waste heat power generation projects and 2 slag-clinker production lines commenced construction.

Glass fiber

In the first half of 2009, in the face of lagging demand in the US and European markets coupled with intense competition in both the domestic and overseas markets, the Company proactively adjusted its marketing strategies to focus on increasing its market shares in domestic and emerging markets. Sales volume picked up gradually. The sales/production ratio reached 135% in June. Following the decline in product prices, the Company has extended its efforts to maximize efficiency by reducing energy consumption and wastage. Unit sales costs recorded a period-on-period decrease. Progress was made in the development of new products, including glass fiber textile for large fan blades for wind power generators, a development which the State has recognized as a major new key product.

High-Tech Materials

During the first half of 2009, supported by the new energy development policy of the PRC government, the Company expedited the development of high-tech materials used in the new energy industry. During the first half of 2009, the production of fan blades for wind power generators was 199 sets. Our projects in Beijing and Jiuquan, Gansu to develop annual capacity of 500 sets of fan blades for wind power generators each were completed and commenced operation.

Prospects

In the second half of 2009, the Company will closely monitor the development of the economy and the market and will endeavour to explore and seize every market opportunity. We will enhance our operation and financial management to improve operations and profitability. The Company will seek to maximize our profitability by establishing an integrated business structure through mergers and acquisitions, increasing our shareholding in companies with industry advantages as well as organic growth, expanding production capacity and consolidating our regional leading positions. The Company will also seek to complete the issuance of interim notes in the amount of RMB1.7 billion in the second half of 2009 upon the completion of issuance of corporate bonds in the amount of RMB2.5 billion and enhance the capital utilization rate by strengthening capital management. The Company is confident of maintaining sustainable business growth and achieving improved results in the second half of 2009.

It is expected that the development of the cement equipment and engineering services segment will speed up in the second half of 2009. In light of the improved investor sentiment and the accelerated recovery of demand in emerging markets, the Company will seize the opportunities to further expand its overseas market and secure more new contracts with a target of over RMB25 billion for the year. The Company will further enhance its management and enforcement of contracts to speed up the progress of current projects. The Company will also step up our technology research and development and construction in order to attain expansional growth in our equipment manufacturing capacity and capability. The Company will further streamline its structure, seek to rationalize the schedule of construction projects and speed up the development of new businesses to increase continued profitability.

The Company will speed up the development of the cement segment in the second half of 2009. Driven by strong demand for infrastructure and industrial construction, coupled with additional production capacity, the cement business in Northwestern China, our major production and sales region, is expected to record healthy growth which should further boost our profitability. Enlightened by the signs of revitalisation in the real estate industry in the East region, it is expected that profitability of subsidiaries in such region will further increase in the second half of 2009. Profits for the segment for 2009 are expected to grow substantially as compared with the corresponding period last year. In the second half of 2009, the Company will aim to expedite the mergers and acquisitions and construction in the cement market of Northwestern China with an aim to attaining a cement production capacity of over 50 million tonnes in the region by the end of 2010.

Demand of glass fiber segment began to pick up. The RMB4 trillion economic stimulus package and the revival plans for ten key industries unveiled by the PRC Government should have a greater effect on economic growth over time. Supported by the new energy policy and vehicle renewal allowance policy, demand of glass fiber in the international market is also anticipated to rebound. It is expected that the glass fiber market will improve in the second half of 2009. The Company will seek to seize the opportunities of mergers and acquisitions in domestic and international markets to expand the market and increase its market share. To improve its operating results, the Company will strengthen our competitiveness by implementing energy-saving and wastage reduction measures. The Company will also adjust its product mix by introducing more processed glass fiber products to speed up the development and marketing of new products. The Company will also explore the applications of glass fiber in the high-end markets.

Chairman's Statement

The promotion of new energy industries by the PRC government presents a favourable outlook for the development of our high-tech materials business. The efforts we have made also underpin a solid foundation for the growth of our high-tech materials. In the second half of 2009, our high-tech materials business is expected to grow at a faster pace. The production capacity expansion plan of fan blades for wind power generators to 1,300 sets will be completed earlier. The Company will further expand its production capacity to become a leading producer in the industry. The expansion project with an annual capacity of 100,000 units for solar-energy fused silica crucibles is also expected to be completed ahead schedule. Upon the completion of private placing of additional shares by Sinoma Science & Technology and the acquisition of minority interests of Sinomatech Wind & Power Blade Co. Ltd, the shareholding of the Company in Sinoma Science & Technology has increased. The Company will further enhance the technologies for the production lines and marketing and sales strategies. The Company will seek to further improve its profitability and revenues by expanding the scale of its operations and market coverage. Both revenues and results of this segment in 2009 are expected to record significant increases as compared with the corresponding period of last year.

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your continued support and thank the management and all the staff of the Company for their dedication and hard work.

TAN Zhongming
Chairman

Beijing, China
15 September 2009

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Company is the largest cement equipment and engineering services provider in the world as well as a leading producer of non-metal materials in the PRC, and is principally engaged in four business segments comprising cement equipment and engineering services, cement , glass fiber and high-tech materials.

In the first half of 2009, as the impact of the global financial crisis continued to be felt and the global economy shrank further, various governments implemented a number of economic stimulus policies and measures. Under a series of measures for the purpose of maintaining the healthy development of the economy of the PRC, such as RMB4 trillion economic stimulus package and a revival plan for ten key industries, fixed-asset investment and consumption in the PRC grew significantly. In the first half of 2009, total fixed-asset investment in the PRC and consumer goods sales amounted to RMB9 trillion and RMB6 trillion, respectively, representing a period-on-period growth of 33.5% and 15.0%, respectively. The GDP grew by 7.1% during the first half of 2009.

During the reporting period, the Company seized the opportunities arising from the increase in fixed-asset investment in the PRC to develop the domestic market while consolidating its position and market share in overseas markets. The Company accelerated its business development in heavy investment regions and industries. The Company also accelerated its merger and acquisition and development projects under the financial crisis. To cope with the more competitive market conditions, the Company further improved its internal management and enhanced its competitiveness and efficiency by reducing energy consumption, wastage and costs through technological innovation, benchmark management, adjustment of product mix, optimization of financial resources and increasing the reserve of low-price raw materials. As a result, the Company overcame operation pressure arising from difficult economic conditions and maintained growth in operation and profitability of the Company.

Cement Equipment and Engineering Services

Industry Review

In the first half of 2009, the impact of global financial crisis on global cement equipment and engineering services continued to be felt as evidenced by the significant period-on-period decrease in new orders. While the demand for cement from developed countries of North America and Eurpoe as well as developing countries that rely heavily on developed countries in terms of funds and markets was low and the investor sentiment in these countries continued to be weak, the investment in cement projects of emerging markets began to recover in line with the demand for cement increased and liquidity improved.

Driven by the stimulus packages and eased monetary policy, the PRC domestic market saw a significant increase in liquidity and fixed-asset investment. The consolidation and investment in the cement industry also accelerated. The fixed-asset investment of the PRC cement industry amounted to RMB74.6 billion for the first half of 2009, representing an increase of 67% as compared with the corresponding period last year. The proportion over the total production capacity for new dry process cement increased significantly, resulting in temporary excessive production capacity and increased pressure in some regions. On the other hand, the price of steel, the major raw material, remained at the low price level and the exchange rate of RMB against the US dollar, the major settlement currency remained stable. The pressure on the construction cost of cement production lines therefore was eased.

Business Review

Significant growth in operational results due to optimized structure and strengthened management

The internal organizational structure continued to be optimized in this segment. Sinoma International acquired the minority interests in its 14 subsidiaries by private placing of additional shares. Such acquisition further improved the allocations of internal resources and operation systems, cost control capability and resource utilization rate. Performance was also improved this year upon the completion of restructuring of Sinoma Mining at the end of last year. In the first half of 2009, in spite of the financial crisis, the operating results of the segment maintained a rapid growth due to optimized structure and management. Both turnover and segment results recorded significant growth.

Management Discussion and Analysis

Proactive market exploration, new contract amount exceeded expected completion amount and order backlog amount continuously increases

In the first half of 2009, despite the shrinkage in the demand of overseas cement investors, not only no effects have been made to the business development of the Company, but also more advantages have been gained compared with our competitors. In the first half of 2009, the total amount of new domestic and overseas contracts was RMB10,700 million, representing a positive business development as the contract amount exceeded that of the corresponding period last year. As at the end of June 2009, the Company's order backlog amounted to more than RMB50 billion, ensuring the growth of operations of the Company in the coming years.

Strengthening enforcement of contracts and procuring the successful implementation of projects

During the reporting period, the Company further strengthened its project resources allocation, improved business management and risk management to ensure the quality and efficiency of projects under construction. The Company contracted to build a production line with a production capacity of 4,000 tonnes per day ("tpd") in Tay Ninh, Vietnam, a production line of TPCC in Tanzania with a production capacity of 2,500 tpd, a production line of Lafarge in Ecuador with a production capacity of 1,500 tpd, a production line of Golden Summit in Sichuan with a production capacity of 4,500 tpd and a production line of Qingtongxia, Ningxia with a production capacity of 2,500 tpd, all of which have commenced operation.

In respect of construction projects, the rotary kiln shell of RCC 5,000 tpd cement production line (Phase II) in Saudi Arabia was welded. The preheater former framework of SCP 5,300 tpd production line in Iraq was completed. The installation of equipment of two 5,000 tpd production lines of GOE in Egypt commenced. The design, procurement and equipment delivery of the projects such as three 6,000 tpd cement production lines of Dangote in Nigeria and a 2,500 tpd production line of NOSTRA cement factory in Hungary were in progress. The projects including a 5,000 tpd production line of Lafarge in Yongchuan, Chongqing and the expansion of the third 4,600 tpd production line of Lafarge in Dujiangyan were under construction. Subsequent to the RCC project and the CCC project, the Company's SPCC, and the SCC projects in Saudi Arabia obtained final acceptance certificates from the relevant owners in the first half of 2009. Thus, Sinoma International completed a total of five production lines of four projects in Saudi Arabia, being three 5,000 tpd production lines and two 10,000 tpd production lines, all of which have obtained final acceptance certificates. Such achievement marked the improvement in the capability of the Company's cement equipment and engineering services and strengthened the brand position of SINOMA.

Improvement in technological innovation, technology and manufacture of equipment

During the reporting period, the Company leveraged its technological competitive edges to commercialize its technological inventions and enhance its innovation. With the successful completion of the world's largest cement mill, the Company ranked among the top international cement equipment manufacturers in terms of capability and quality. With the completion of construction of the National model NSP clinker production line with energy saving and emission reduction and its commencement of operation, this model production line, which was designed and constructed by the Company, represented the successful system integration and application of the new generation energy-saving and emission reduction cement technology of China. As such, the foundation for overall energy-saving and emission reduction capacity through the new dry process cement clinker production lines of China was laid.

Further extension of industrial chain and addition of profit growth points

During the reporting period, the Company further extended the coverage of its cement equipment and engineering services to the provision of on-site repair and maintenance and spare parts services to cement enterprises. In addition, the Company also took advantage of the expertise to extend its ability by undertaking the outsourcing services of mining business and adding extra profit growth points.

Cement

Industry Review

Boosted by the RMB4 trillion economic stimulus package and the domestic demand expansion policies of the PRC government, general fixed-asset investment soared while demand for cement picked up, resulting in better-than-expected increases in cement production volume and sales. During the first half of 2009, the cement production volume in the PRC was 735 million tonnes, representing an increase of 14.9% as compared with the corresponding period last year.

Despite the significant increase in demand, cement prices still remained at the same level as compared with the corresponding period last year due to the significant increase in production capacity supply as well as low coal prices. The geographical differences in cement prices were particularly significant with higher prices in Western China and lower prices in Eastern China. The strong cement demand in Western China attributable to the infrastructure and national major projects in the region has fuelled the rising cement prices since 2008. On the contrary, reduced cement demand in the East region resulted in a price fall there.

Business Review

Regional strategies led to remarkable edges and substantial improvement in segment results

During the reporting period, demand for cement in Northwestern China was strong. In this major market of the Company, the prices of cement were substantially higher than the national average and remained high. Subsidiaries of the Company in Northwestern China seized the business opportunities by fully utilising their production capacities and recorded outstanding operating results. The satisfactory results fully offset the decrease in the results of our cement segment in Eastern China, resulting in the overall results of the segment improved by 16.64% as compared with the corresponding period last year. During the first half of 2009, the sales volume of cement was 9.14 million tonnes in this segment, representing an increase of 52.07% as compared with the corresponding period last year; and the sales volume of clinkers was 1.61 million tonnes, representing an increase of 56.24% as compared with the corresponding period last year.

Implementing the Company's development strategy in Northern China and accelerating business expansion in the Northwest region

During the reporting period, the Company implemented its strategy to become the largest cement producer in Northern China and accelerated its business expansion in the Northwest region. In May 2009, the Company completed the acquisition of minority interests in Ningxia Building Materials, which then became a wholly-owned subsidiary of the Company. In June, pursuant to a private placing, the Company subscribed for 55,000,000 A shares in Qilianshan, the largest cement producer in Gansu and Qinghai, and became the second largest shareholder of Qilianshan. Such subscription further strengthened the leading position of the Company in cement market in the Northwestern China.

During the reporting period, the Company successfully expanded its production capacity. In the first half of 2009, two clinker cement production lines with 2,500 tpd each commenced production in Xinjiang and Ningxia respectively. The construction of the following projects commenced: a clinker cement production line with a daily production capacity of 2,500 tonnes in Hanzhong, Shaanxi; a clinker cement production line with a daily production capacity of 2,500 tonnes in Kumul, Xinjiang; a clinker cement production line with a daily production capacity of 2,000 tonnes in Buerjin; two clinker cement production lines with a daily production capacity of 2,000 tonnes each in Midong; a clinker cement production line with a daily production capacity of 2,500 tonnes in Yinchuan, Ningxia; a clinker cement production line with a daily production capacity of 2,000 tonnes in Wuzhong; a clinker cement production line with a daily production capacity of 2,500 tonnes in Wuhai, Inner Mongolia; a clinker cement production line with a daily production capacity of 4,500 tonnes in Baiyin, Gansu Province; a clinker cement production line with a daily production capacity of 2,500 tonnes in Tianshui. Upon completion of the abovementioned projects by 2010, the production capacity of the Company in the Northwest region will increase by more than 10 million tonnes.

Promoting clean production by saving energy and reducing emission

The Company is committed to scientific development to improve the environment. During the reporting period, two low-temperature and waste-heat power generation facilities for cement production lines commenced operation with an additional installed capacity of 11MW and three waste-heat power generation facilities commenced construction with a designed capacity of 18MW. As at the end of June 2009, the aggregate installed capacity of waste-heat power generation of the Company amounted to 50MW. In the first half of 2009, a total of 82,330,000KWh of electricity was generated. Two clinker production lines with a production capacity of 2,000 tpd by utilising carbide slag in Midong, Xinjiang commenced construction. Upon completion of these projects, it is expected to consume industrial waste such as carbide slag of over 1 million tonnes annually. Compared with those, which use limestone to produce cement, the emission of carbon dioxide would be reduced by 600,000 tonnes each year and production costs can be reduced by over 20%.

Improving management and operation efficiency

During the reporting period, the Company adopted a number of measures to improve internal management and operation efficiency. At the same time, by launching internal benchmark management, improving the production management and technological innovation, major operational indices of this segment improved, consumption indices dropped as compared with the corresponding period last year, the average operation rate increased by 3 percentage points and average production volume of clinker production lines grew by 3% as compared with the corresponding period last year.

Glass Fiber

Industry Review

With the deepening impact of the global financial crisis in the first quarter of 2009, international market demand for glass fiber declined significantly and China's glass fiber exports fell sharply. Over-supply in the glass fiber market of China became severe after the domestic traditional market entered its low season with excess inventory and falling product prices, which materially adversely affected profitability of glass fiber enterprises.

Management Discussion and Analysis

Driven by the implementation of the revival plan of ten key industries, the RMB4 trillion economic stimulus package in China and the stable trends of North American and European markets, demand from the emerging market revived and the glass fiber market touched the bottom in April. Demand for glass fiber in the downstream industries, traditional industries such as construction and transportation, was pushed up by the investment in national infrastructure projects. Development in the new energy and automobile industries also improved demand for glass fiber in new industries such as engineering materials. The export market for glass fiber also recovered from the downward trend. The sales/production ratio of glass fiber and glass fiber products in China recorded a month-on-month growth and inventories have reduced gradually in glass fiber industry.

During the first half of 2009, the total output of China's glass fiber was 1.02 million tonnes. Among which, output of direct-melt production was 820,000 tonnes. The export volume of glass fiber and glass fiber products was 414,000 tonnes, representing a period -on-period decrease of 35.2%.

Business Review

Expansion of markets and gradually growth in sales volume

In face of an unfavourable environment, the Company proactively adjusted its marketing strategies. Focusing on the retention of existing major clients, development of new clients and expansion of domestic sales regions to develop domestic glass fiber market, proportion of domestic selling increased from 36% in the beginning of 2009 to 52%. Sales volume also rebounded from sharp decline to rapid growth. Sales volume in June 2009 has surpassed the average sales volume of last year.

Energy-saving, improvement in efficiency and cost control

During the reporting period, the unit cost of sales reduced as compared with the corresponding period last year due to the application of new energy-saving measures and water recycling by the Company. In addition, the Company reduced its administration expenses by cutting down non-production expenditures. Financing costs were also controlled effectively by the optimization in debt structure and negotiation for bank loans with preferential interest rates.

Speeding up the research and development of new products and adjusting product mix in response to market changes

The Company closely monitored the trend of the glass fiber market and focused on the development of reinforcing thermplastic glass fiber and glass fiber textile for wind power generators and other high-end products to meet the needs of customers. Glass fiber textile used in fan blades of major wind power generators is one of the highlights in the National New Products Program. In view of the developing trend in the industry, the Company increased the production and sales of processed products, such as woven roving, chopped strands and chopped strand mats, and enhanced the added values of products.

High-tech Materials

Industry Review

After the outbreak of financial crisis, demand in photovoltaic industries declined and the upstream and related markets were also affected. The global oil price remained low and the overseas auto industry shrank under the impact of the financial crisis. Overseas demand for CNG cylinders dropped significantly. Nonetheless, development of new energy was still the top focus for major economic countries and organizations. China has also accelerated the transformation of its energy industry and new and clean energy industries were selected as the strategic new industries. A series of favourable polices has been launched to promote the development of large-scale wind power generation and construction of major wind generation plants has commenced. By providing subsidies under the Solar Power Roof Program and Golden Sun Project introduced by the State, the domestic photovoltaic market has developed rapidly. Installed capacity of wind power in China has recorded a 100-percent-increase for the fifth consecutive year. In the first half of 2009, China generated 12.6 billion KWh of wind power and became the largest wind power country in Asia. The favourable industry policy, economic growth and rapid national development have served to support rapid growth in energy, transportation, aviation and aerospace, resources and environment industries as well as the relevant high-tech materials industry.

Business Review

Seizing market opportunities and enlarging the production capacity of fan blades for wind power generators and improving profitability

The rapid growth of the wind power industry has bolstered the demand for wind power equipment. The 1.5 MW fan blades for wind power generators developed and manufactured by the Company are well recognized by the market for their outstanding performance. In light of the insufficient supply of the product, the Company has seized the market opportunity and significantly increased its production capacity through technological improvements to the existing production line of fan blades for wind power generators with an annual capacity of 300 sets, as well as optimization of production process and operation procedures and technical standards. In the first half of 2009, the Company produced 199 sets of fan blades for wind power generators , representing 352.3% period-on-period growth, and sold 185 sets of fan blades for wind power generators, representing a 413.9% increase as compared with the corresponding period last year. In addition, the Company accelerated the capacity expansion of fan blades for wind power generators. The bulk production of a production line of fan blades for wind power generators in Badaling, Beijing and the project of fan blades for wind power generators in Jiuquan, Gansu, both with an annual capacity of 500 sets, have commenced production. Fan blades for wind power generators have become the primary contributor of revenue and sources of profit growth in high-tech materials segment of the Company.

Focusing on technological innovation and consolidating its advantages in technological advancement

During the reporting period, the Company successfully developed the world's largest 1100 super size solar-energy fused silica crucible, the capacity of which is used to produce 800KG of silicon ingot, representing an increase of 77.8% over the 900A model with a capacity of 450KG. The competitive advantage of the product is the significant reduction in the cost of production of poly silicon. Progress was also made in the research of a new model of fan blades for wind power generators.

Proactively developing markets in response to financial crisis

In the first half of 2009, overseas demand for products such as CNG cylinders and fine- fused quartz ceramics dropped dramatically under the financial crisis while the competition in domestic market was intense. The Company was committed to alleviate the impact of the crisis and to minimise its operational risks through prompt adjustment of marketing strategy, enhancement of communication with major customers and our services, segmentation of customers and stringent control of trade receivables.

Financial Review

	Six months ended 30 June		
	2009 RMB million (Unaudited)	2008 RMB million (Unaudited) (Restated)	Change %
Turnover	**12,517.36**	11,536.73	8.50
Cost of sales	**(10,346.10)**	(9,392.89)	10.15
Gross profit	**2,171.26**	2,143.84	1.28
Other gains	**250.24**	130.25	92.12
Selling and marketing expenses	**(319.64)**	(343.95)	(7.07)
Administrative expenses	**(828.63)**	(701.06)	18.20
Other expenses	**(21.75)**	(138.48)	(84.29)
Operating profit	**1,251.48**	1,090.60	14.75
Interest income	**103.02**	63.15	63.14
Finance costs	**(283.92)**	(282.03)	0.67
Share of results of associates	**3.11**	49.67	(93.74)
Profit before tax	**1,073.69**	921.39	16.53
Income tax expense	**(227.01)**	(240.45)	(5.59)
Profit for the period	**846.68**	680.94	24.34
Profit for the period attributable to:			
Owners of the Company	**308.88**	304.44	1.46
Non-controlling interests	**537.80**	376.50	42.84

Management Discussion and Analysis

Operating Results

For the six months ended 30 June 2009, profit before tax of the Group amounted to RMB1,073.69 million, representing an increase of 16.53% as compared with the corresponding period last year. Profit attributable to the owners of the Company was RMB308.88 million, representing an increase of 1.46% as compared with the corresponding period last year. Earnings per share of the Company was RMB0.086.

Consolidated operating results

The financial information for the segments presented below is before elimination of inter-segment transactions and before unallocated expenses.

Turnover

Turnover of the Group for the six months ended 30 June 2009 amounted to RMB12,517.36 million, representing an increase of 8.50% from RMB11,536.73 million in the corresponding period last year. The increase was mainly attributable to the increase in volume of project completed for cement equipment and engineering services segment, the increases in sales and production of cement for Northwestern China, but partly offset by the decrease of turnover of glass fiber products. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB783.23 million, RMB523.46 million and RMB99.91 million respectively, while the turnover of the glass fiber segment decreased by RMB413.03 million.

Cost of sales

Cost of sales of the Group for the six months ended 30 June 2009 amounted to RMB10,346.10 million, representing an increase of 10.15% from RMB9,392.89 million in the corresponding period last year. The increase was mainly due to the growth in cement equipment and engineering services business and the increase in sales volume of cement and high-tech materials. The cost of sales of the cement equipment and engineering services segment, cement segment, and high-tech materials segment increased by RMB669.34 million, RMB364.76 million and RMB56.60 million respectively. Cost of sales of glass fiber products decreased by RMB124.32 million due to significant drop in sales volume as compared with the corresponding period last year.

Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2009 was RMB2,171.26 million, representing an increase of 1.28% from RMB2,143.84 million in the corresponding period last year.

Gross margin of the Group for the six months ended 30 June 2009 decreased by 1.23 percentage points from 18.58% in the corresponding period last year to 17.35%.

Other gains

Other gains of the Group for the six months ended 30 June 2009 amounted to RMB250.24 million, representing an increase of 92.12% from RMB130.25 million in the corresponding period last year. The growth was mainly attributable to the increase in government subsidies for the glass fiber segment and value-added tax refunded by the government on certain cement products.

Selling and marketing expenses

Selling and marketing expenses of the Group for the six months ended 30 June 2009 was RMB319.64 million, representing a decrease of 7.07% as compared with the corresponding period last year of RMB343.95 million. The decrease was mainly due to the significant drop in warranty costs as a result of improved quality control of the cement equipment and engineering services segment. Selling and marketing expenses of the cement equipment and engineering services segment decreased by RMB47.36 million, which was partly offset by the increase in selling and marketing expenses of other segments. The selling and marketing expenses of the cement segment, high-tech materials segment and glass fiber segment increased by RMB12.21 million, RMB6.54 million and RMB4.29 million respectively.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2009 amounted to RMB828.63 million, representing an increase of 18.20% from RMB701.06 million in the corresponding period last year. The increase was mainly due to the increases in labour cost, research and development costs and overhaul costs of fixed assets. The administrative expenses of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB40.06 million, RMB52.93 million and RMB38.16 million respectively whereas the administrative expenses of glass fiber segment decreased by RMB30.03 million.

Other expenses

Other expenses of the Group for the six months ended 30 June 2009 amounted to RMB21.75 million, representing a decrease of 84.29% from RMB138.48 million in the corresponding period last year. The decrease was due to the non-occurrence of the foreign exchange losses of RMB72.89 million on the proceeds raised through the initial public offering in the corresponding period last year.

Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2009 was RMB1,251.48 million, representing an increase of 14.75% from RMB1,090.60 million in the corresponding period last year. The operating profit margin of the Group for the six months ended 30 June 2009 was 10.00%, representing an increase of 0.55 percentage points as compared with the corresponding period last year of 9.45%.

Finance costs

Finance costs of the Group for the six months ended 30 June 2009 was RMB283.92 million, representing an increase of 0.67% from RMB282.03 million in the corresponding period last year. The increase was mainly due to the increase in bank borrowings in line with the business growth. Such increase was partly offset by several general interest rate cuts since the second half of last year and the offer of preferential interest rates by the banks.

Share of results of associates

Share of results of associates of the Group for the six months ended 30 June 2009 amounted to RMB3.11 million, representing a decrease of 93.74% from RMB49.67 million in the corresponding period last year. The decrease was mainly due to the non-consolidation of the equity interest in BBMG Corporation as it was no longer an associate of the Company since August last year.

Income tax expense

Income tax expense of the Group for the six months ended 30 June 2009 was RMB227.01 million, representing a decrease of 5.59% from RMB240.45 million in the corresponding period last year. The decrease was maily due to the reason that certain subsidiaries had not obtained government approval for preferential income tax rate and were taxed at the rate of 25% in the corresponding period last year. The income tax for the current period was provided at a preferential rate of 15%.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the six months ended 30 June 2009 amounted to RMB537.80 million, representing an increase of 42.84% from RMB376.50 million in the corresponding period last year. The increase reflected the significant improvement in the results of Sinoma International, Tianshan Cement and Saima Industry in which the Company held relatively low percentage of shares and the deteriorating performance of the results of other subsidiaries in which the Company held relatively high percentage of shares.

Profit attributable to the owners of the Company

Given the above, profit attributable to the owners of the Company for the six months ended 30 June 2009 was RMB308.88 million, representing an increase of 1.46% from RMB304.44 million in the corresponding period last year.

Management Discussion and Analysis

Segment operating results

The segment financial information set out below is before eliminations of inter-segment transactions and before unallocated expenses.

Cement equipment and engineering services segment

	Six months ended 30 June		
	2009 RMB million (Unaudited)	2008 RMB million (Unaudited) (Restated)	Change %
Turnover	**7,970.70**	7,187.47	10.90
Cost of sales	**6,995.30**	6,325.96	10.58
Gross profit	**975.40**	861.51	13.22
Selling and marketing expenses	**57.03**	104.39	(45.37)
Administrative expenses	**399.61**	359.55	11.14
Segment results	**510.29**	375.56	35.87

Turnover

Turnover of the cement equipment and engineering services segment for the six months ended 30 June 2009 amounted to RMB7,970.70 million, representing an increase of 10.90% from RMB7,187.47 million in the corresponding period last year. The increase was mainly due to the reason that the Company strengthened the capability of enforcement of contracts and increased volume of projects completed during the period.

Cost of sales

Cost of sales of the cement equipment and engineering services segment for the six months ended 30 June 2009 was RMB6,995.30 million, representing an increase of 10.58% from RMB6,325.96 million in the corresponding period last year. The increase was mainly due to the increase in volume of projects completed corresponding to the growth in cost of sales during the period. Meanwhile, the Company makes efforts in improvement of project design and arrangement of schedule, which partly offset the increase in cost of sales.

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2009 amounted to RMB975.40 million, representing an increase of 13.22% from RMB861.51 million in the corresponding period last year. Gross profit margin of the cement equipment and engineering services segment for the six months ended 30 June 2009 increased by 0.25 percentage points from 11.99% in the corresponding period last year to 12.24%. The increase in gross profit margin was mainly due to the combined effect of the growth in turnover and the lowering of costs achieved through the reallocation of internal resources and the strengthening of management.

Selling and marketing expenses

Selling and marketing expenses of the cement equipment and engineering services segment for the six months ended 30 June 2009 amounted to RMB57.03 million, representing a decrease of 45.37% from RMB104.39 million in the corresponding period last year. The decrease was mainly due to the significant period-on-period drop in maintenance costs of completed projects during warranty periods resulted from the enhancement of project quality control.

Administrative expenses

Administrative expenses of the cement equipment and engineering services segment for the six months ended 30 June 2009 was RMB399.61 million, representing an increase of 11.14% from RMB359.55 million in the corresponding period last year. The increase was mainly due to the higher growth rate of expenditures on research and development and labour costs.

Segment results

On the basis of the abovementioned, the segment results of the cement equipment and engineering services segment for the six months ended 30 June 2009 amounted to RMB510.29 million, representing an increase of 35.87% from RMB375.56 million in the corresponding period last year.

Cement segment

	Six months ended 30 June		
	2009 RMB million (Unaudited)	2008 RMB million (Unaudited) (Restated)	Change %
Turnover	**3,183.83**	2,660.37	19.68
Cost of sales	**2,276.65**	1,911.89	19.08
Gross profit	**907.17**	748.48	21.20
Selling and marketing expenses	**193.99**	181.78	6.72
Administrative expenses	**220.97**	168.04	31.50
Segment results	**585.93**	502.34	16.64

Turnover

Turnover of the cement segment for the six months ended 30 June 2009 amounted to RMB3,183.83 million, representing an increase of 19.68% from RMB2,660.37 million in the corresponding period last year. The increase was mainly attributable to the strong demand in the cement markets in Northwestern China, the major production and sales region of the Company, high cement price and there is a significant increase in cement production and sales volume of the Company.

Cost of sales

Cost of sales of the cement segment for the six months ended 30 June 2009 was RMB2,276.65 million, representing an increase of 19.08% from RMB1,911.89 million in the corresponding period last year, which was mainly due to the increase in cost of sales corresponding to the growth in sales volume.

Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2009 amounted to RMB907.17 million, representing an increase of 21.20% from RMB748.48 million in the corresponding period last year. Gross margin of the cement segment for the six months ended 30 June 2009 increased by 0.36 percentage points from 28.13% in the corresponding period last year to 28.49%. The increase in gross profit and gross margin of the cement segment was mainly due to the increase of sales volume and selling price driven by the investments made in Northwestern China.

Selling and marketing expenses

Selling and marketing expenses of the cement segment for the six months ended 30 June 2009 amounted to RMB193.99 million, representing an increase of 6.72% from RMB181.78 million in the corresponding period last year. This was mainly due to the increase in sales volume, which was partly offset by the decrease of packaging costs resulted from the increase of bulk rate.

Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2009 was RMB220.97 million, representing an increase of 31.50% from RMB168.04 million in the corresponding period last year. The increase was mainly due to the enlarged scale of operation and the higher growth rate in equipment overhaul expenses.

Segment results

On the basis of the abovementioned, the segment results of the cement segment for the six months ended 30 June 2009 amounted to RMB585.93 million, representing an increase of 16.64% from RMB502.34 million in the corresponding period last year.

Glass fiber segment

	Six months ended 30 June		
	2009	2008	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
Turnover	**765.23**	1,178.26	(35.05)
Cost of sales	**664.48**	788.80	(15.76)
Gross profit	**100.75**	389.46	(74.13)
Selling and marketing expenses	**39.04**	34.75	12.35
Administrative expenses	**66.29**	96.32	(31.18)
Segment results	**91.57**	261.64	(65.00)

Turnover

Turnover of the glass fiber segment for the six months ended 30 June 2009 amounted to RMB765.23 million, representing a decrease of 35.05% from RMB1,178.26 million in the corresponding period last year, which was mainly due to the decreases in product price and sales volume resulted from the shrinking demand in the glass fiber market under the prolonged impacts of international financial crisis.

Cost of sales

Cost of sales of the glass fiber segment for the six months ended 30 June 2009 was RMB664.48 million, representing a decrease of 15.76% from RMB788.80 million in the corresponding period last year. The decrease was mainly due to the decrease in the sales volume and the reduction of unit cost of sales through technological innovation and adjustment of production formula.

Gross profit and gross margin

Gross profit of the glass fiber segment for the six months ended 30 June 2009 amounted to RMB100.75 million, representing a decrease of 74.13% from RMB389.46 million in the corresponding period last year. Gross profit margin of the Company's glass fiber segment for the six months ended 30 June 2009 decreased by 19.88 percentage points from 33.05% in the corresponding period last year to 13.17%. The decrease was mainly due to the drops in sales volume and price under the shrinking market demand.

Selling and marketing expenses

Selling and marketing expenses of the glass fiber segment for the six months ended 30 June 2009 amounted to RMB39.04 million, representing an increase of 12.35% from RMB34.75 million in the corresponding period last year, which was mainly because the Company strengthened the market expansion efforts and improved communications with customers and service quality in view of the impacts of the financial crisis. Such increase was partly offset by the decrease of transportation costs due to the drop in sales volume.

Administrative expenses

Administrative expenses of the glass fiber segment for the six months ended 30 June 2009 was RMB66.29 million, representing a decrease of 31.18% from RMB96.32 million in the corresponding period last year. The decrease was mainly due to the decreases in expenditures such as labour costs by cutting down non-production expenditures.

Segment results

On the basis of the abovementioned, the segment results of the glass fiber segment for the six months ended 30 June 2009 amounted to RMB91.57 million, representing a decrease of 65.00% from RMB261.64 million in the corresponding period last year.

High-tech materials segment

	Six months ended 30 June		
	2009	2008	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**696.89**	596.98	16.74
Cost of sales	**502.85**	446.25	12.68
Gross profit	**194.04**	150.73	28.73
Selling and marketing expenses	**29.57**	23.03	28.40
Administrative expenses	**102.62**	64.46	59.20
Segment results	**80.12**	69.03	16.07

Turnover

Turnover of the high-tech materials segment for the six months ended 30 June 2009 amounted to RMB696.89 million, representing an increase of 16.74% from RMB596.98 million in the corresponding period last year. The increase was mainly attributable to the significant increase in production and sales volume of our core products of the fan blades for wind power generators.

Cost of sales

Cost of sales of the high-tech materials segment for the six months ended 30 June 2009 was RMB502.85 million, representing an increase of 12.68% from RMB446.25 million in the corresponding period last year. The increase was mainly due to the increase in cost of sales corresponding to the growth in sales volume and was partly offset by the strengthening management and the reducing cost.

Gross profit and gross margin

Gross profit of the high-tech materials segment for the six months ended 30 June 2009 amounted to RMB194.04 million, representing an increase of 28.73% from RMB150.73 million in the corresponding period last year. Gross profit margin of the high-tech materials segment for the six months ended 30 June 2009 increased by 2.59 percentage points from 25.25% in the corresponding period last year to 27.84%. The increase was mainly due to the higher gross margin of the fan blades for wind power generators and its dramatic increase in its proportions to the turnover of the Company.

Selling and marketing expenses

Selling and marketing expenses of the high-tech materials segment for the six months ended 30 June 2009 amounted to RMB29.57 million, representing an increase of 28.40% from RMB23.03 million in the corresponding period last year. This was mainly due to the increase in sales volume and packaging costs.

Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2009 was RMB102.62 million, representing an increase of 59.20% from RMB64.46 million in the corresponding period last year. The increase was mainly due to the increase in expenditures on research and development and labour costs.

Segment results

On the basis of the abovementioned, the segment results of the high-tech materials segment for the six months ended 30 June 2009 amounted to RMB80.12 million, representing an increase of 16.07% from RMB69.03 million in the corresponding period last year.

Management Discussion and Analysis

Liquidity and capital resources

Cash Flows:

	Six months ended 30 June		
	2009 RMB million (Unaudited)	2008 RMB million (Unaudited) (Restated)	Change %
Net cash from operating activities	**819.61**	1,587.71	(48.38)
Net cash used in investing activities	**(1,713.24)**	(3,028.95)	(43.44)
Net cash from financing activities	**1,459.03**	1,505.05	(3.06)
Cash and cash equivalents at end of the period	**10,817.23**	8,811.74	22.76

Net cash from operating activities

Net cash from operating activities for the six months ended 30 June 2009 decreased from RMB1,587.71 million in the corresponding period last year to RMB819.61 million. The decrease was mainly due to higher growth rates of trade and other receivables and inventories, which was partly offset by the increase in trade and other payables.

Net cash used in investing activities

Net cash used in investing activities for the six months ended 30 June 2009 decreased from RMB3,028.95 million in the corresponding period last year to RMB1,713.24 million. The decrease was mainly due to the decrease of restricted cash of the Company and was partly offset by the increase in capital expenditure made in the acquisition of equity interests.

Net cash from financing activities

Net cash from financing activities for the six months ended 30 June 2009 decreased from RMB1,505.05 million in the corresponding period last year to RMB1,459.03 million.

Working Capital

As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB10,817.23 million (31 December 2008: RMB10,252.39 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2009 decreased to 93.87% (31 December 2008: 97.70%).

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity plus net debt. As at 30 June 2009, the gearing ratio of the Group was 24.33% (31 December 2008: 17.17%).

With stable cash inflows generated in the ordinary course of business and existing unused banking credit facility, the Group has sufficient resources for future expansion.

Borrowings

As at 30 June 2009, the balance of the Group's borrowings amounted to RMB14,598.50 million.

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Short-term borrowings and long-term borrowings due within one year	**8,499.96**	7,854.27
Long-term borrowings, net of portions due within one year	**6,098.54**	4,930.13
Total borrowings	**14,598.50**	12,784.40

Pledge of Assets

Borrowings of the Group were secured by the Group's property, plant and equipment, prepaid lease payments and investment properties with carrying values of RMB2,592.90 million, RMB280.77 million and RMB12.60 million as at 30 June 2009 (31 December 2008: RMB2,766.75 million, RMB214.57 million and RMB24.67 million) respectively.

Contingent liabilities

	30 June 2009 RMB million (Unaudited)	31 December 2008 RMB million (Audited)
Pending lawsuits or arbitrations	**18.76**	24.00
Outstanding guarantees	**921.95**	963.90
Total	**940.71**	987.90

Capital expenditure

For the six months ended 30 June 2009, capital expenditure of the Group amounted to RMB1,953.75 million, representing a decrease of RMB794.93 million from RMB2,748.68 million in the corresponding period last year. Among the capital expenditure, that of the cement equipment and engineering services segment, cement segment, glass fiber segment, and high-tech materials segment amounted to RMB279.90 million, RMB1,317.17 million, RMB179.32 million and RMB177.09 million respectively. The capital expenditure was mainly used in the construction of additional production lines for cement and high-tech materials, such as fan blades for wind power generators.

Material investments

For the six months ended 30 June 2009, the Group did not have any new material investments.

Material acquisitions and disposals of assets

For the six months ended 30 June 2009, the Group did not have any material acquisitions or disposals of assets.

Market Risks

The Group is exposed to various market risks in the ordinary course of business, including the foreign exchange risks, interest rate risks and raw materials and energy price risks.

Foreign Exchange Risks

The Group conducts its domestic business primarily in RMB, which is also its functional currency, while overseas engineering services and export of products are denominated in foreign currencies, mainly US dollar and Euro. Therefore, the Group has a certain level of exposure to foreign exchange fluctuations. During the reporting period, the Group has actively mitigated the foreign exchange risks in respect of the fluctuation of RMB value by various measures, such as accelerating the settlement of foreign exchange, including the fixed exchange rate provision in contracts for new projects and adjusting terms in response to the floating exchange rate to minimise the impact of foreign exchange losses on the Group's results. The Group will continue to strengthen the above measures in the future to effectively address the risks arising from the fluctuation in exchange rate.

Interest rate risks

The Group is exposed to risks resulting from fluctuations in interest rates on our borrowings. The Group raises borrowings to support general corporate purposes, including capital expenditures and working capital requirements. The majority of the Group's borrowings are of short-term nature and the interest rates are subject to adjustment by our lenders in accordance with changes in the People's Bank of China regulations. The PRC has implemented favourable national fiscal policy and moderate monetary policy and the interest rates remain at a low level. In order to mitigate the risks arising from the changes in RMB interest rate, the Group enters into borrowing contracts with floating or fixed interest rates based on the trend analysis of interest rates. Meanwhile, the Group improves its indebtedness structure by securing more financing sources and controlling financing costs through the issuance of company debentures.

Raw materials and energy price risks

The cost effectiveness of the Group is relatively sensitive to the price fluctuations of steel, coal, electricity and natural gas, which are the main raw materials and energy of the Group. Currently, the price of steel remains low while the prices of coal, electricity and natural gas are generally stable. The Group will utilise optimised design to reduce the consumption of raw materials and incorporate compensation terms for rising price of major raw materials to the contracts. It will also increase its effort in technological improvement to reduce energy consumption, adjust its energy structure to reduce the cost of energy, focus on procurement by tendering and strengthen control in procurement costs to mitigate the risks from the rising prices of raw materials and energy.

Other Information

Review of Unaudited Condensed Consolidated Financial Information

The audit committee of the Board has reviewed the Company's interim report. The Company's external auditor has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2009.

Share Capital

The share capital structure of the Company as at 30 June 2009 was as follows:

Types of Shares	**Number of Shares**	**Approximate percentage to the total issued share capital**
Domestic Shares	2,276,522,667	63.74%
Foreign Shares		
Non-listed Foreign Shares	130,793,218	3.66%
H Shares	1,164,148,115	32.60%
Total	3,571,464,000	100%

Dividend

The Company has not proposed to declare or distribute any interim dividend for 2009.

Disclosure of Interests

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

As at 30 June 2009, none of the Directors, Supervisors and chief executives of the Company had an interest and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the laws of Hong Kong), which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Other Information

Interests and Short Positions of Substantial Shareholders and other persons in Shares and Underlying Shares

As at 30 June 2009, to the best knowledge of the Directors, Supervisors and chief executives of the Company, the persons listed in the following table had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Type of Shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation Ltd.	Domestic shares	Not applicable	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Corporation	Domestic shares	Not applicable	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic shares	Not applicable	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Non-listed foreign shares	Not applicable	130,793,218	100.00%	3.66%
The National Council for Social Security Fund of the PRC	H shares	Long position	94,253,115	8.10%	2.64%
Baring Asset Management Limited	H shares	Long position	94,816,000	8.14%	2.65%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	Long position	71,277,000	6.12%	2.00%

Note: The above information is based on the data provided in the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2009, there was no other person with interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO.

Purchase, Sale or Redemption of Securities of the Company

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

Employees and Remuneration Policy

The Company adopts position-based remuneration system for its employees, and their remuneration is determined by reference to factors such as importance of their positions, responsibilities and performance. As at 30 June 2009, the Group had 37,541 employees.

Material Legal Affairs

The Company did not have any material legal affairs during the reporting period.

Corporate Governance

Since its listing, the Company has been gradually improving or building up a steady, efficient and reasonable internal control system.

(1) In compliance with "Code on Corporate Governance Practices"

The Company is committed to improve its corporate governance in compliance with Code on Corporate Governance Practices ("**Code**") as set out in Appendix 14 of the Listing Rules. The Company has fully complied with the rules set out in the Code for the six months ended 30 June 2009, without significant deviation from the Code.

(2) In compliance with "Model Code for Securities Transactions by Directors of Listed Companies"

The Company has adopted a set of model code prepared in accordance with the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. The terms of the model code currently adopted by the Company are no less exacting than the required standards set out in the Model Code. The Company, having made specific enquiries of all the Directors, confirms that the Directors have strictly complied with the Model Code for the six months ended 30 June 2009.

(3) Audit Committee

The Company has appointed independent non-executive Directors in accordance with the requirements of the Listing Rules and established the Audit Committee responsible for proposing to the Board regarding the appointment, reappointment and removal of independent auditor, as well as monitoring its work. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, namely, Mr. Zhang Qiusheng (the chairman of the Audit Committee, with professional qualification and experience in finance), Mr. Zhang Lailiang and Mr. Liu Zhijiang respectively. On 11 September 2009, the Audit Committee reviewed the interim financial statements of the Company for the six months ended 30 June 2009 and voted in respect of the interim financial statements in favour of the resolution to submit to the Board for approval.

(4) Connected Transactions Management

In order to standardise and strengthen the management of connected transactions, the Company has established the "China National Materials Company Limited Connected Transactions Management System". The Securities Department of the Board is responsible for the management of connected transactions. The Company has made sub-division as to the connected transaction caps that have already been disclosed, sub-divided each connected transaction to each subsidiary, and each subsidiary is responsible for the controlling of its sub-divided portion of connected transactions, in order to ensure that the company's connected transactions are carried out based on rules and system, that is, the total amount of the transactions do not exceed the annual caps approved in the general meeting. Pursuant to the provisions of the relevant system of the Company, the Company is required to comply with the reporting, announcements and independent shareholders' approval requirements (if applicable) under the Listing Rules before making any proposed new connected transaction.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2009

		Six months ended 30 June	
	Notes	**2009**	2008
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Turnover	5	**12,517,361**	11,536,727
Cost of sales		**(10,346,100)**	(9,392,892)
Gross profit		**2,171,261**	2,143,835
Interest income		**103,023**	63,152
Other gains		**250,236**	130,250
Selling and marketing expenses		**(319,635)**	(343,954)
Administrative expenses		**(828,632)**	(701,054)
Other expenses		**(21,745)**	(138,479)
Finance costs	6	**(283,920)**	(282,030)
Share of results of associates	7	**3,105**	49,672
Profit before tax		**1,073,693**	921,392
Income tax expense	8	**(227,014)**	(240,454)
Profit for the period	9	**846,679**	680,938
Profit for the period attributable to:			
Owners of the Company		**308,881**	304,442
Non-controlling interests		**537,798**	376,496
		846,679	680,938
Earnings per share - basic (expressed in RMB per share)	11	**0.086**	0.085

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**846,679**	680,938
Other comprehensive income		
Exchange differences arising on translation of financial statements of foreign operations	**(541)**	13,631
Gain on fair value changes of available-for-sale financial assets	**243,251**	5,619
Income tax relating to components of other comprehensive income	**(60,637)**	(1,405)
Other comprehensive income for the period (net of tax)	**182,073**	17,845
Total comprehensive income for the period	**1,028,752**	698,783
Total comprehensive income attributable to:		
Owners of the Company	**491,569**	314,687
Non-controlling interests	**537,183**	384,096
	1,028,752	698,783

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	**30 June 2009 RMB'000 (Unaudited)**	31 December 2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**16,394,381**	15,079,887
Prepaid lease payments	12	**1,655,581**	1,646,696
Investment properties	12	**115,934**	102,157
Intangible assets	12	**153,780**	161,634
Mining rights	12	**54,704**	56,335
Interests in associates		**210,355**	207,250
Available-for-sale financial assets		**1,247,864**	503,563
Derivative financial instruments		**2,050**	15,051
Trade and other receivables	13	**219,619**	68,450
Deposit paid for acquisition of a subsidiary	14	**—**	300,000
Other non-current assets		**47,602**	77,445
Deferred income tax assets		**235,546**	233,831
		20,337,416	18,452,299
Current assets			
Inventories		**4,606,697**	4,014,732
Trade and other receivables	13	**8,921,806**	6,706,953
Amounts due from customers for contract work		**108,182**	430,699
Prepaid lease payments	12	**62,420**	61,391
Derivative financial instruments		**170**	6,455
Other current assets		**143,601**	125,637
Restricted bank balances		**2,881,230**	4,594,524
Bank balances and cash		**10,817,234**	10,252,386
		27,541,340	26,192,777
Current liabilities			
Trade and other payables	15	**20,248,283**	18,217,339
Amounts due to customers for contract work		**282,505**	505,121
Dividends payable		**71,429**	—
Derivative financial instruments		**34,354**	3,882
Income tax liabilities		**180,634**	171,256
Borrowings	16	**8,499,957**	7,854,270
Early retirement and supplementary benefit obligations	17	**10,617**	21,108
Provisions	18	**10,847**	35,847
		29,338,626	26,808,823
Net current liabilities		**(1,797,286)**	(616,046)
Total assets less current liabilities		**18,540,130**	17,836,253

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Non-current liabilities			
Trade and other payables	15	**13,545**	4,755
Borrowings	16	**6,098,545**	4,930,131
Derivative financial instruments		**12,219**	48,855
Deferred income		**301,509**	339,080
Early retirement and supplementary benefit obligations	17	**144,801**	142,573
Deferred income tax liabilities		**209,420**	155,132
		6,780,039	5,620,526
NET ASSETS		**11,760,091**	12,215,727
Capital and reserves			
Share capital	19	**3,571,464**	3,571,464
Reserves		**3,389,404**	3,222,166
Equity attributable to owners of the Company		**6,960,868**	6,793,630
Non-controlling interests		**4,799,223**	5,422,097
TOTAL EQUITY		**11,760,091**	12,215,727

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2009 (Unaudited)											
At 1 January 2009 (audited)	**3,571,464**	**3,273,160**	**(942,833)**	**30,197**	**(2,503)**	**3,441**	**129,068**	**731,636**	**6,793,630**	**5,422,097**	**12,215,727**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**932**	**181,756**	**–**	**308,881**	**491,569**	**537,183**	**1,028,752**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(241,930)**	**(241,930)**
Contributions received from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,527**	**13,527**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(252,902)**	**–**	**(252,902)**	**(931,654)**	**(1,184,556)**
Final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(71,429)**	**(71,429)**	**–**	**(71,429)**
At 30 June 2009 (unaudited)	**3,571,464**	**3,273,160**	**(942,833)**	**30,197**	**(1,571)**	**185,197**	**(123,834)**	**969,088**	**6,960,868**	**4,799,223**	**11,760,091**
Six months ended 30 June 2008 (Unaudited)											
At 1 January 2008 (audited)	3,431,708	2,847,953	(463,684)	13,607	1,571	–	91,936	183,670	6,106,761	3,974,468	10,081,229
Total comprehensive income for the period, as restated	–	–	–	–	6,967	3,278	–	304,442	314,687	384,096	698,783
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(303,280)	(303,280)
Contributions received from non-controlling interests	–	–	–	–	–	–	–	–	–	77,523	77,523
Transactions with non-controlling interests	–	–	–	–	–	–	(2,762)	–	(2,762)	(56,775)	(59,537)
Merger reserves arising from common control combinations	–	–	(87,269)	–	–	–	–	149,450	62,181	631,979	694,160
Issuance of new shares through the exercise of over-allocation option	139,756	445,762	–	–	–	–	–	–	585,518	–	585,518
Shares issued expenses on over-allocation option	–	(20,295)	–	–	–	–	–	–	(20,295)	–	(20,295)
At 30 June 2008, as restated (unaudited)	3,571,464	3,273,420	(550,953)	13,607	8,538	3,278	89,174	637,562	7,046,090	4,708,011	11,754,101

Note: Other reserves mainly comprise of reserves arising from transactions with non-controlling interests and deemed contributions from owners.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cash flows from operating activities		
Cash generated from operations	**1,045,307**	1,813,606
Income tax paid	**(225,701)**	(225,901)
NET CASH FROM OPERATING ACTIVITIES	**819,606**	1,587,705
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,885,972)**	(1,813,246)
Payments for acquisition of additional equity interests in subsidiaries	**(1,184,555)**	(70,383)
Purchase of available-for-sale financial assets	**(501,050)**	(23,800)
Purchase of prepaid lease payments	**(31,549)**	(139,507)
Purchase of investment properties	**(13,576)**	—
Purchase of intangible assets	**(6,087)**	(12,835)
Increase in loan receivables	**(2,243)**	(91,730)
Purchase of mining rights	**(340)**	(15,842)
Decrease (increase) in restricted bank balances	**1,713,294**	(360,925)
Interest received on bank deposits and loan receivables	**103,023**	63,152
Proceeds from disposals of property, plant and equipment	**86,229**	32,863
Dividends received on available-for-sale financial assets	**9,583**	120
Prepayments for acquisition of subsidiaries	**—**	(572,000)
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	**—**	(52,292)
Settlement of purchase consideration for acquisition of a subsidiary in previous year	**—**	(25,086)
Interest received on available-for-sale financial assets	**—**	22,854
Dividend received from a former subsidiary declared prior to the disposal of the subsidiary by the Group	**—**	19,033
Dividends received from associates	**—**	8,715
Proceeds from disposals of prepaid lease payments	**—**	1,961
NET CASH USED IN INVESTING ACTIVITIES	**(1,713,243)**	(3,028,948)

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Cash flows from financing activities		
Repayments of borrowings	**(7,019,369)**	(3,389,166)
Interest paid	**(287,024)**	(313,175)
Dividends paid to non-controlling interests	**(166,492)**	(140,701)
Proceeds from new borrowings	**8,822,467**	4,527,326
Government grants received	**95,917**	28,130
Contributions received from non-controlling interests	**13,527**	761,849
Repayment of contributions prepaid by BBMG Group Co., Ltd. to a subsidiary	**—**	(250,000)
Dividends paid	**—**	(220,370)
Disbursement of incremental costs directly attributable to issuance of shares upon listing	**—**	(64,305)
Shares issued expenses on over-allocation option	**—**	(20,295)
Gross proceeds from issuance of new shares	**—**	585,759
NET CASH FROM FINANCING ACTIVITIES	**1,459,026**	1,505,052
NET INCREASE IN CASH AND CASH EQUIVALENTS	**565,389**	63,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**10,252,386**	8,780,132
Effect of foreign exchange rate changes	**(541)**	(32,206)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**10,817,234**	8,811,735

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. GENERAL INFORMATION

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law of the PRC as a successor of China National Non-Metallic Materials Corporation ("CNNMC"), a wholly-owned subsidiary of China National Materials Group Corporation Ltd. (formerly known as "China National Materials Group Corporation") ("Sinoma Group"). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

The address of the registered office and the principal place of business of the Company is at No. 11, Beishuncheng Street, Xizhimennei Xicheng District, Beijing, the PRC.

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

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of cement equipment and engineering services, production of cement, glass fiber and high-tech materials.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Business combination under common control

(a) On 10 October 2008, the Company entered into a share transfer agreement ("Acquisition Agreement") with Ningxia Gongying Investment Limited Company ("Gongying"). According to the Acquisition Agreement, the Company acquired 30.40% equity interests in Ningxia Building Materials Group Company Limited ("Ningxia Building Materials") from Gongying at a cash consideration of RMB440,102,600. Concurrent with the signing of the Acquisition Agreement, the Company also entered into the capital increase agreement ("Capital Increase Agreement") with Sinoma Group and Gongying, pursuant to which the Company has increased the registered capital of Ningxia Building Materials to RMB781,711,276 by making a capital contribution of RMB570,000,000 to Ningxia Building Materials in order to obtain control over Ningxia Building Materials. The Group's equity interests in Ningxia Building Materials increased by 19.66% upon the completion of the capital injection. Also, the Group could appoint 4 out of 7 directors in the board of directors of Ningxia Building Materials. For details of the acquisition, please refer to the circular of the Company dated 24 October 2008. The acquisition and the capital injection were completed on 31 December 2008 and Ningxia Building Materials became a subsidiary of the Company.

The business combination in relation to the acquisition of the 30.40% equity interests in Ningxia Building Materials from Gongying was accounted for using the purchase method at the business combination date as Gongying is an independent party of the Group.

However, as Sinoma Group supervises and manages the Company and Ningxia Building Materials and Sinoma Group is the single largest controlling shareholder which held 41.84% and 69.60% equity interests in the Company and Ningxia Building Materials, respectively prior to the completion date of the acquisition and throughout the year ended 31 December 2008, Sinoma Group has de facto control over the Company and Ningxia Building Materials during the year ended 31 December 2008. The Company and Ningxia are both under the control of Sinoma Group, and thus regarded as different entities under common control. Accordingly, the acquisition of 19.66% equity interests in Ningxia Building Materials through the capital injection was a common control combination as depicted in Note 4 below. The condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), assumed that the structure of the Group at the completion date of acquisition has been in existence since the date (1 January 2007) when the Company and Ningxia Building Materials first came under the control of Sinoma Group.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

2.1 Business combination under common control (Continued)

(b) On 10 October 2008, the Company entered into an equity transfer agreement ("Equity Transfer Agreement") with China National Nonmetallic Minerals Industrial Corporation ("China Nonmetallic"). According to the Equity Transfer Agreement, the Company acquired the entire equity interests in China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd. ("Xi'an Engineering") from China Nonmetallic at a cash consideration of approximately RMB33,984,000. For details of the acquisition, please refer to the announcement of the Company dated 10 October 2008. The acquisition was completed on 31 December 2008 and Xi'an Engineering became a wholly-owned subsidiary of the Company.

As China Nonmetallic is a wholly-owned subsidiary of Sinoma Group since its date of incorporation, the Company and Xi'an Engineering are both under the control of Sinoma Group, and thus regarded as different entities under common control. Accordingly, the acquisition of entire equity interests in Xi'an Engineering was a common control combination as depicted in Note 4 below. The condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared using the principles of merger accounting, as prescribed in AG 5 issued by the HKICPA, assumed that the structure of the Group at the completion date of acquisition has been in existence since the date (28 December 2001) when the Company and China Nonmetallic first came under the control of Sinoma Group.

2.2 Basis of preparation of the condensed consolidated financial statements

The condensed consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB1,797,286,000 as at 30 June 2009.

In the opinion of the directors, the Group should be able to maintain itself as a going concern in the next twelve months from the interim reporting date by taking into consideration the proposed arrangements which include, but are not limited to, the following:

(a) the directors anticipate that the Group will continually generate positive cash flows from its business; and

(b) the directors have modified the debt structure by issuing of corporate bonds.

On the basis that the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2.3 The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the HKICPA. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

3. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those of the Group's annual financial statements for the year ended 31 December 2008.

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008
HKFRSs (Amendments)	Improvements to HKFRSs April 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Interpretation ("Int") 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the New HKFRSs had no material effects on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 (Amendments)	First-time Adoption of HKFRSs[4]
HKFRS 2 (Amendments)	Share-based Payment - Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[5]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 1 January 2010.

5 Effective for transfers of assets from customers received on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. ADJUSTMENTS FOR COMMON CONTROL COMBINATIONS

As depicted in Note 2, the Group undertook certain common control combinations during the year ended 31 December 2008. The effects of adopting merger accounting for common control combinations on the condensed consolidated income statement for the six months ended 30 June 2008 by line items are as follows:

	Six months ended 30 June 2008 RMB'000 (Unaudited)
Increase in turnover	638,402
Increase in profit and total comprehensive income for the period	92,562
Increase in profit and total comprehensive income for the period attributable to:	
Owners of the Company	9,208
Non-controlling interests	83,354
	92,562

4. ADJUSTMENTS FOR COMMON CONTROL COMBINATIONS (Continued)

The effects of adopting merger accounting for common control combination on the Group's basic earnings per share for the six months ended 30 June 2008:

	Six months ended 30 June 2008 RMB (Unaudited)
Reported figures before adjustments	0.083
Adjustments arising on common control combinations	0.002
Restated figures after adjustments	0.085

5. TURNOVER AND OPERATING SEGMENT

Turnover represents revenue arising from provision of cement equipment and engineering services, sales of cement, glass fiber and high-tech materials.

For management purpose, the Group is organised into business units based on their products and services, and has four reportable segments: (i) cement equipment and engineering services; (ii) cement; (iii) glass fiber; and (iv) high-tech materials.

The details of the reportable segments are as follows:

Cement equipment and engineering services	Provision of engineering equipment and engineering services for new dry process cement production lines and mining projects and equipment manufacturing
Cement	Production and sales of cement and clinker and standard sand
Glass fiber	Production and sales of glass fiber and glass fiber products
High-tech materials	Production and sales of specialty fiber, fiber reinforcement composite materials; equipment and engineering services for glass fiber production and non-metal mineral fine processing and advance ceramics

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated financial statements. Group financing (including interest income and finance costs) and income tax expense are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

5. TURNOVER AND OPERATING SEGMENT (Continued)

(a) Segment results, assets and liabilities

The management of the Group monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "adjusted profit from operations". To arrive at adjusted profit from operations, the Group's profits are further adjusted for items not specifically attributable to an individual reportable segment, such as directors' remuneration, auditors' remuneration, interest income, finance costs and head office administrative expenses.

In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue (including inter-segment sales), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Segment assets included non-current assets and current assets with the exception of deferred income tax assets and certain assets unallocated to an individual reportable segment. Segment liabilities include non-current liabilities with the exception of income tax liabilities, deferred income tax liabilities and certain liabilities unallocated to an individual reportable segment.

Information regarding the Group's reportable segments as provided to the Group's management for the purposes of resource allocation and assessment of segment performance is as follow:

	Six months ended 30 June 2009						Six months ended 30 June 2008					
	Cement equipment and engineering services RMB'000 (Unaudited)	**Cement RMB'000 (Unaudited)**	**Glass fiber RMB'000 (Unaudited)**	**High-tech materials RMB'000 (Unaudited)**	**Unallocated RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**	Cement equipment and engineering services RMB'000 (Unaudited) (Restated)	Cement RMB'000 (Unaudited) (Restated)	Glass fiber RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited) (Restated)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited) (Restated)
Revenue												
External customers	**7,876,065**	**3,183,304**	**761,388**	**696,604**	**—**	**12,517,361**	7,111,142	2,660,369	1,175,877	589,339	–	11,536,727
Inter-segment	**94,634**	**521**	**3,843**	**290**	**—**	**99,288**	76,330	–	2,387	7,636	–	86,353
Reportable segment revenue	**7,970,699**	**3,183,825**	**765,231**	**696,894**	**—**	**12,616,649**	7,187,472	2,660,369	1,178,264	596,975	–	11,623,080
Results												
Depreciation	**79,814**	**240,392**	**136,207**	**42,922**	**134**	**499,469**	51,277	204,172	118,738	26,887	115	401,189
Amortisation	**667**	**23,842**	**3,620**	**9,418**	**—**	**37,547**	2,929	17,605	3,834	3,220	30	27,618
Impairment loss recognised (reversed) in respect of property, plant and equipment	**—**	**1,210**	**—**	**—**	**—**	**1,210**	–	–	4,706	(498)	–	4,208
Allowance for inventories	**6,966**	**—**	**—**	**—**	**—**	**6,966**	–	–	–	728	–	728
Reversal of allowances for inventories	**(10,973)**	**(24)**	**(4)**	**—**	**—**	**(11,001)**	–	–	(232)	(49)	–	(281)
Impairment loss recognised (reversed) in respect of trade and other receivables	**21,784**	**14,720**	**808**	**5,264**	**—**	**42,576**	27,917	36,755	(3,398)	4,321	(1,192)	64,403
Share of results of associates	**5,266**	**(784)**	**—**	**(1,377)**	**—**	**3,105**	–	45,519	–	4,153	–	49,672
Reportable segment profit (Adjusted profit from operations)	**510,286**	**585,933**	**91,569**	**80,119**	**—**	**1,267,907**	375,563	502,342	261,635	69,031	–	1,208,571
Capital expenditure	**279,895**	**1,317,172**	**179,316**	**177,088**	**276**	**1,953,747**	140,864	1,109,423	1,377,221	120,314	859	2,748,681

5. TURNOVER AND OPERATING SEGMENT (Continued)

(a) Segment results, assets and liabilities (Continued)

	30 June 2009					31 December 2008				
	Cement equipment and engineering services RMB'000 (Unaudited)	Cement RMB'000 (Unaudited)	Glass fiber RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Cement equipment and engineering services RMB'000 (Audited)	Cement RMB'000 (Audited)	Glass fiber RMB'000 (Audited)	High-tech materials RMB'000 (Audited)	Total RMB'000 (Audited)
Reportable segment assets	10,702,644	13,649,080	6,501,182	2,545,718	33,398,624	9,089,613	11,779,162	6,270,639	2,208,531	29,347,945
Reportable segment liabilities	16,728,178	3,867,483	1,448,998	591,797	22,636,456	15,231,304	3,104,658	1,662,914	570,502	20,569,378

5. TURNOVER AND OPERATING SEGMENT (Continued)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

Revenue

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Reportable segment revenue	**12,616,649**	11,623,080
Elimination of inter-segment revenue	**(99,288)**	(86,353)
Consolidated turnover	**12,517,361**	11,536,727

Profit

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Reportable segment profit	**1,267,907**	1,208,571
Elimination of inter-segment profit	**(5,736)**	(5,719)
Reportable segment profit derived from the Group's external customers	**1,262,171**	1,202,852
Unallocated operating income and expenses	**(7,581)**	(62,582)
Interest income	**103,023**	63,152
Finance costs	**(283,920)**	(282,030)
Consolidated profit before taxation	**1,073,693**	921,392

5. TURNOVER AND OPERATING SEGMENT (Continued)

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities (Continued)

Assets

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Reportable segment assets	**33,398,624**	29,347,945
Elimination of inter-segment profit	**(5,736)**	—
Elimination of inter-segment receivables	**(623,861)**	(1,370,796)
	32,769,027	27,977,149
Deferred income tax assets	**235,546**	233,831
Unallocated assets	**14,874,183**	16,434,096
Consolidated total assets	**47,878,756**	44,645,076

Liabilities

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Reportable segment liabilities	**22,636,456**	20,569,378
Elimination of inter-segment payables	**(1,554,653)**	(1,312,059)
	21,081,803	19,257,319
Income tax liabilities	**180,634**	171,256
Deferred income tax liabilities	**209,420**	155,132
Unallocated liabilities	**14,646,808**	12,845,642
Consolidated total liabilities	**36,118,665**	32,429,349

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expenses	**298,698**	325,826
Less: Amounts capitalised as construction-in-progress	**(16,223)**	(29,868)
	282,475	295,958
Net foreign exchange gains on bank borrowings	**(671)**	(40,184)
Discount charges on bank acceptance notes	**2,116**	26,256
Total finance costs	**283,920**	282,030

7. SHARE OF RESULTS OF ASSOCIATES

In August 2008, BBMG Corporation, which was an associate of the Group as at 30 June 2008, was reclassified as available-for-sale financial asset due to the Group lost the significant influence over BBMG Corporation.

8. INCOME TAX EXPENSE

The Group has no operations in Hong Kong and is therefore not subject to the Hong Kong Profits Tax for both periods.

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2008: 25%) on the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries and jointly controlled entities which were exempted from tax or taxed at preferential rates of ranging from 12.5% to 15% (2008: ranging from 12.5% to 15%).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of income tax expense charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax:		
- PRC enterprise income tax	**231,172**	242,072
- Overseas taxation	**1,911**	2,573
- Underprovision in previous years	**1,996**	—
	235,079	244,645
Deferred income tax	**(8,065)**	(4,191)
	227,014	240,454

9. PROFIT FOR THE PERIOD

The Group's profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Depreciation and amortisation		
- property, plant and equipment	**498,446**	399,179
- prepaid lease payments	**21,635**	18,918
- investment properties	**1,023**	2,010
- intangible assets	**13,941**	5,201
- mining rights	**1,971**	3,499
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses)	**42,576**	64,403
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**1,210**	4,208
Allowance for inventories (included in cost of sales)	**6,966**	728
Reversal of allowance for inventories (included in cost of sales)	**(11,001)**	(281)
Donations	**1,292**	8,257
Net foreign exchange (gains) losses (excluding those arising from borrowings)	**(25,588)**	109,320
Net gains on disposal of property, plant and equipment	**(431)**	(2,766)
Interest income on available-for-sale financial assets	**—**	(22,854)
Dividend income on available-for-sale financial assets	**(9,583)**	(120)
Income from liabilities forgiven	**(466)**	(955)
Government grants	**(133,488)**	(57,088)

10. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend of RMB0.02 per share for the year ended 31 December 2008 paid during the interim period (year ended 31 December 2007: Nil)	**71,429**	—

No dividend was paid or proposed during the six months ended 30 June 2009, nor has any dividend been proposed since the interim reporting date (2008: Nil).

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For the six months ended 30 June 2009

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the six months ended 30 June 2009 and 2008.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to owners of the Company (RMB'000)	**308,881**	304,442
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,563,700
Basic earnings per share (RMB)	**0.086**	0.085

(b) Diluted

No diluted earnings per share has been presented for each of the six months ended 30 June 2009 and 2008 as there were no diluting events existed during both periods.

12. CAPITAL EXPENDITURE

The movement of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and mining rights are as follows:

	Property, plant and equipment RMB'000	Prepaid lease payments RMB'000	Investment properties RMB'000	Intangible assets RMB'000	Mining rights RMB'000	Total RMB'000
Six months ended 30 June 2009 (Unaudited)						
Carrying values at 1 January 2009 (audited)	**15,079,887**	**1,708,087**	**102,157**	**161,634**	**56,335**	**17,108,100**
Additions	**1,902,195**	**31,549**	**13,576**	**6,087**	**340**	**1,953,747**
Disposals	**(86,821)**	**—**	**—**	**—**	**—**	**(86,821)**
Reclassification and transfer	**(1,224)**	**—**	**1,224**	**—**	**—**	**—**
Depreciation and amortisation charged for the period	**(498,446)**	**(21,635)**	**(1,023)**	**(13,941)**	**(1,971)**	**(537,016)**
Impairment loss recognised in the condensed consolidated income statement	**(1,210)**	**—**	**—**	**—**	**—**	**(1,210)**
Carrying values at 30 June 2009 (unaudited)	**16,394,381**	**1,718,001**	**115,934**	**153,780**	**54,704**	**18,436,800**
Six months ended 30 June 2008 (Unaudited)						
Carrying values at 1 January 2008 (audited)	10,231,995	1,328,750	99,497	97,955	46,548	11,804,745
Additions	1,843,114	139,507	–	12,835	15,842	2,011,298
Attributable to acquisition of subsidiaries	652,317	73,241	–	6,350	5,475	737,383
Disposals	(30,097)	(6,961)	–	–	–	(37,058)
Reclassification and transfer	16,886	(395)	(16,491)	–	–	–
Depreciation and amortisation charged for the period	(399,179)	(18,918)	(2,010)	(5,201)	(3,499)	(428,807)
Impairment loss recognised in the condensed consolidated income statement	(4,208)	–	–	–	–	(4,208)
Carrying values at 30 June 2008 (unaudited)	12,310,828	1,515,224	80,996	111,939	64,366	14,083,353

13. TRADE AND OTHER RECEIVABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade receivables and retentions		
Trade receivables	**3,527,111**	2,603,049
Retentions	**536,396**	131,319
	4,063,507	2,734,368
Less: impairment loss recognised	**(446,066)**	(425,945)
Trade receivables and retentions, net	**3,617,441**	2,308,423
Loan receivables, prepayments, deposits, staff advances and other receivables		
Loan receivables	**60,621**	58,378
Prepayments to suppliers and subcontractors	**4,363,634**	3,863,218
Staff advances	**120,431**	89,294
Deposits	**257,743**	238,033
Other receivables	**855,327**	350,286
	5,657,756	4,599,209
Less: impairment loss recognised	**(133,772)**	(132,229)
Loan receivables, prepayments, deposits, staff advances and other receivables, net	**5,523,984**	4,466,980
Total trade and other receivables	**9,141,425**	6,775,403
Less: Non-current portion		
Retentions	**(219,619)**	(68,450)
Current portion	**8,921,806**	6,706,953

Refer to Note 22(b) for details of receivables due from related parties.

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of the Group's trade receivables and retentions, net of impairment loss, are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Less than 6 months	**2,617,524**	1,646,778
6 months to 1 year	**600,717**	303,138
1 year to 2 years	**246,087**	233,503
2 years to 3 years	**110,062**	86,220
Over 3 years	**43,051**	38,784
	3,617,441	2,308,423

Settlement of trade receivables and retentions generated through engineering and construction services is made in accordance with the terms specified in the contracts governing the relevant transactions, among which retentions are generally settled within one to two years after completion of corresponding services. For sales of goods, a credit period ranging from 30 to 180 days may be granted to large or long-established customers with good repayment history.

(b) The loan receivables are unsecured, interest bearing at 5.31% (31 December 2008: 7.47%) and repayable on demand.

14. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

Balance as at 31 December 2008 of RMB300,000,000 represents the deposit paid by Sinoma Cement Co., Ltd. ("Sinoma Cement") to acquire the 100% equity interests in Anhui Yingpu Jinlong Cement Co., Ltd. ("Anhui Yingpu") according to the framework agreement. In February 2008, Sinoma Cement entered into a framework agreement with the owners of Anhui Yingpu to acquire the 100% equity interests in Anhui Yingpu and RMB300,000,000 has been prepaid as part of the purchase consideration, which is secured by the 100% equity interest of Anhui Yingpu.

During the six months ended 30 June 2009, arbitration has been raised by Sinoma Cement as Sinoma Cement believed that the owners of Anhui Yingpu had breached the terms of framework agreement. Sinoma Cement ceased the acquisition and claims for repayment for the deposit paid for acquisition of Anhui Yingpu. Up to the date of the issue of this interim financial information, the arbitration is under process and no conclusion has been drawn.

Due to the cease of the acquisition, the deposit paid amounted to RMB300,000,000 has been reclassified as other receivable as at 30 June 2009.

15. TRADE AND OTHER PAYABLES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade payables	**6,065,811**	5,823,198
Deposits, advances, accruals and other payables		
Prepayment from customers	**12,138,364**	10,721,134
Accrued payroll and welfare	**88,339**	142,936
Accrued social security costs	**121,154**	185,035
Other taxes	**131,713**	1,323
Accrued expenses	**33,513**	109,353
Deposits payable	**69,850**	214,860
Dividends payable to non-controlling interests by subsidiaries	**174,452**	99,014
Other payables	**1,438,632**	925,241
	14,196,017	12,398,896
Total trade and other payables	**20,261,828**	18,222,094
Less: Non-current portion:		
Trade payables	**(12,405)**	(4,135)
Accrued payroll and welfare	**(1,140)**	(620)
	(13,545)	(4,755)
Current portion	**20,248,283**	18,217,339

Refer to Note 22(b) for details of payables due to related parties.

(a) Ageing analysis of trade payables are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Less than 6 months	**3,852,063**	3,552,194
6 months to 1 year	**1,432,874**	1,138,288
1 year to 2 years	**429,677**	702,949
2 years to 3 years	**227,175**	321,707
Over 3 years	**124,022**	108,060
	6,065,811	5,823,198

(b) Non-current portion of accrued payroll and welfare represents the portion of accrued employee housing allowances, payable to employees over their years of service to the Group, expected to be settled over one year from the interim reporting date.

16. BORROWINGS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Non-current		
Long-term bank borrowings		
- Secured (Note a)	**5,394,870**	4,476,131
- Unsecured	**703,675**	454,000
Total non-current borrowings	**6,098,545**	4,930,131
Current		
Current portion of long-term bank borrowings		
- Secured (Note a)	**365,961**	591,291
- Unsecured	**—**	10,000
	365,961	601,291
Short-term bank borrowings		
- Secured (Note a)	**3,952,749**	5,437,970
- Unsecured	**3,181,247**	1,815,009
	7,133,996	7,252,979
Other unsecured borrowings	**1,000,000**	—
Total current borrowings	**8,499,957**	7,854,270
Total borrowings	**14,598,502**	12,784,401

16. BORROWINGS (Continued)

Notes:

(a) Secured borrowings of the Group were secured by the Group's property, plant and equipment, prepaid lease payments and investment properties with carrying values of approximately RMB2,592,901,000, RMB280,769,000 and RMB12,603,000 as at 30 June 2009 (31 December 2008: RMB2,766,747,000, RMB214,565,000 and RMB24,668,000) respectively and guarantees provided by certain related parties and other third parties who were also received guarantees from the Group.

(b) The Group's borrowings as at 30 June 2009 included borrowings of approximately RMB147,445,000 (31 December 2008: RMB158,052,000) of Sinoma Hanjiang Cement Co., Ltd. ("Sinoma Hanjiang", a subsidiary of the Group) which have been restructured pursuant to debt restructuring agreements entered into among two banks, Sinoma Cement and Sinoma Hanjiang, effective on 27 November 2007 and 30 November 2007, respectively.

Pursuant to an agreement, the principal amount of RMB140,764,000, including an overdue principal amount of RMB136,240,000 becomes repayable within 5 years from 1 January 2008 to 31 December 2012. Pursuant to the other agreement, the principal amount of RMB72,857,000, including an overdue principal amount of RMB13,201,000, becomes repayable within 4 years from 1 January 2008 to 31 December 2011. The overdue interest payable amount on the underlying borrowings covered by these two debt restructuring agreements will be waived on the condition that the Group repays the principal and interest in accordance with the revised repayment schedules. The directors of the Company believe that the Group has the ability to fulfill such condition and a debt restructuring gain, representing the excess of the book carrying value of the principals and the overdue interest payables of aforementioned borrowings at the date of the debt restructuring and the fair value of the finally agreed obligations, totalling RMB56,524,000, was recorded as other gains by the Group during the year ended 31 December 2007.

(c) The Group's borrowings as at 30 June 2009 included borrowings of approximately RMB1,871,646,000 (31 December 2008: RMB2,039,214,000) of Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement") and its subsidiaries which have been restructured pursuant to a debt restructuring agreement entered into among twelve banks, CNNMC and Tianshan Cement and its subsidiaries, effective on 1 December 2005.

Under the debt restructuring agreement, the above borrowings are repayable within 11 years from 1 December 2005. Certain restrictions were imposed on Tianshan Cement and its subsidiaries with regard to their use of operating cash flows for the purposes of loan principal and interest payments and repayments, capital expenditure and dividend payments. In addition, CNNMC has committed to remain as the largest shareholder of Tianshan Cement throughout the loan repayment period, injecting certain cement manufacturing plants to Tianshan Cement, providing working capital to Tianshan Cement of not less than RMB150,000,000 when necessary and providing technical support to Tianshan Cement to enhance its operational effectiveness and efficiency. Such commitments have been assumed by the Company.

16. BORROWINGS (Continued)

(d) Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
At 1 January	**12,784,401**	8,055,908
Attributable to acquisition of subsidiaries	**—**	260,504
Amortisation of the difference between the initial amount and the maturity amount using the effective interest	**11,674**	12,651
Proceeds from new borrowings	**8,822,467**	4,527,326
Repayments of borrowings	**(7,019,369)**	(3,389,166)
Net foreign exchange gains on borrowings	**(671)**	(40,184)
At 30 June	**14,598,502**	9,427,039

17. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

The Group paid supplementary pension subsidies or pension contributions to its retired employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in China who leave the Group after 31 December 2006.

The amounts of early retirement and supplemental benefit obligations recognised in the condensed consolidated statement of financial position are as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total liability in the condensed consolidated statement of financial position	**155,418**	163,681
Less: Current portion	**(10,617)**	(21,108)
	144,801	142,573

17. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

The movements of early retirement and supplemental benefit obligations are as follows:

	Six months ended 30 June	
	2009 **RMB'000** **(Unaudited)**	2008 RMB'000 (Unaudited) (Restated)
At 1 January	**163,681**	188,870
For the period		
- Interest cost	**2,850**	4,182
- Actuarial gains	**(501)**	(5,119)
- Payments	**(10,612)**	(10,815)
At 30 June	**155,418**	177,118

18. PROVISIONS

	Provision for litigation RMB'000 (Note)	**Others** RMB'000	**Total** RMB'000
Six months ended 30 June 2009 (Unaudited)			
At 1 January 2009 (audited)	**35,847**	**—**	**35,847**
Utilised during the period	**(25,000)**	**—**	**(25,000)**
At 30 June 2009 (unaudited)	**10,847**	**—**	**10,847**
Six months ended 30 June 2008 (Unaudited)			
At 1 January 2008 (audited)	25,000	231	25,231
Utilised during the period	—	(231)	(231)
At 30 June 2008 (unaudited)	25,000	—	25,000

Note: Provisions for litigation are made based on management's best estimates and judgments. In previous years, provision was made in respect of the default payment, the penalty interest and the corresponding litigation cost following the insolvency of a company in which the Group granted financial guarantees.

19. SHARE CAPITAL

	Domestic shares		H shares		Total	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:						
At 1 January 2008	2,419,405	2,419,405	1,012,303	1,012,303	3,431,708	3,431,708
Issue of new shares through the exercise of over-allocation option (Note a)	—	—	139,756	139,756	139,756	139,756
Domestic shares converted into H shares (Note b)	(12,089)	(12,089)	12,089	12,089	—	—
At 30 June 2008, 1 January 2009 and 30 June 2009	2,407,316	2,407,316	1,164,148	1,164,148	3,571,464	3,571,464

Notes:

(a) In January 2008, the Company issued and allotted 139,756,000 H shares at HK$4.50 (equivalent to RMB4.19) per share with the full exercise of over-allocation option by the joint global coordinators on behalf of the international underwriters for the Company's initial public offering in December 2007. Net proceeds of RMB565,223,000 were raised. The shares issued expenses amounting to RMB20,295,000 had been deducted from the share premium account. The new shares rank pari passu with the existing shares in all respects.

(b) Pursuant to the "Provisional Measures Concerning the Sale of State-owned Shares to Finance Social Welfare Funds" issued by the State Council and "The Circular of Relevant Problems of Decreasing State-owned Shares held by Financial Assets Management Company and State-owned Bank" issued by the Ministry of Finance People's Republic of China, upon the completion of the exercise of over-allocation option, 12,089,218 Domestic shares were converted into H shares and transferred to the National Social Security Fund of the PRC.

20. CONTINGENT LIABILITIES

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Pending lawsuits / arbitrations (Note a)	**18,764**	24,000
Outstanding guarantees (Note b)	**921,950**	963,900
	940,714	987,900

Notes:

(a) The Group has been named in certain lawsuits and other legal proceedings arising in the ordinary course of business. Provisions as set out in Note 18 have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

(b) The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain third parties.

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21. CAPITAL COMMITMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of:		
- Acquisition of property, plant and equipment	**1,975,666**	1,605,449
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
- Acquisition of property, plant and equipment	**971,405**	1,430,906
- Acquisition of prepaid lease payments	**—**	18,663
	971,405	1,449,569
	2,947,071	3,055,018

22. RELATED PARTY DISCLOSURES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Sinoma Group, the immediate parent of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The State Council is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither Sinoma Group nor the State Council published financial statements available for public use.

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, to the extent practical, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. However, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the six months ended 30 June 2009 and 2008 and balances as at 30 June 2009 and 31 December 2008 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

22. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions

The Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Transactions with Sinoma Group and fellow subsidiaries		
Revenue		
- Sales of goods or provision of services	**26,760**	60,787
Expenses		
- Purchases of goods or services	**22,039**	31,012
- Rental expense	**7,373**	12,309
Transactions with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Revenue		
- Sales of goods or provision of services	**16,904**	14,818
- Interest income	**—**	187
Expenses		
- Purchases of goods or services	**8,481**	38,096
Transactions with associates		
Revenue		
- Sales of goods or provision of services	**8,556**	31,306
Expenses		
- Purchases of goods or services	**23,903**	9,370
Others		
- Outstanding guarantees provided by the Group	**5,000**	36,800

22. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions (Continued)

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Transactions with non-controlling interests		
Revenue		
- Sales of goods or provision of services	**4,380**	—
Expenses		
- Purchases of goods or services	**—**	600
Transactions with joint venture partners of jointly controlled entities		
Revenue		
- Sales of goods or provision of services	**19,716**	17,536
Expenses		
- Purchases of goods or services	**11,181**	11,973
Transactions with other state-owned enterprises		
Revenue		
- Sales of goods or provision of services	**254,781**	264,166
- Interest income from bank deposits	**55,697**	55,819
Expenses		
- Purchases of goods or services	**204,376**	223,615
- Interest expense of bank borrowings	**255,528**	235,004
Others		
- Outstanding guarantees provided by the Group	**80,000**	104,680
- Outstanding guarantees provided by other state-owned enterprises	**130,500**	193,133
Transactions with the State-owned Promoters		
Others		
- Outstanding guarantees provided by State-owned Promoters	**—**	30,000

22. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade and other receivables		
Trade receivables due from		
- Sinoma Group and fellow subsidiaries	**34,279**	36,705
- Jointly controlled entities	**4,060**	12,150
- Non-controlling interests	**45,325**	5,769
- Joint venture partners of jointly controlled entities	**27**	2,358
- Other state-owned enterprises	**226,453**	234,786
- Less: Impairment loss recognised	**(182)**	(6,542)
	309,962	285,226
Other receivables due from		
- Sinoma Group and fellow subsidiaries	**66,775**	54,561
- Jointly controlled entities	**3,099**	12,976
- Non-controlling interests	**57,754**	47,856
- Other state-owned enterprises	**31,274**	36,582
- Less: Impairment loss recognised	**(614)**	(2,471)
	158,288	149,504
	468,250	434,730

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For the six months ended 30 June 2009

22. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade and other payables		
Trade payables due to		
- Sinoma Group and fellow subsidiaries	**60,058**	62,852
- Jointly controlled entities	**840**	4,853
- Associates	**6,255**	—
- Non-controlling interests	**11,129**	6,387
- Joint venture partners of jointly controlled entities	**8,439**	4,782
- Other state-owned enterprises	**195,317**	178,230
	282,038	257,104
Other payables due to		
- Sinoma Group and fellow subsidiaries	**33,112**	35,693
- Jointly controlled entities	**492**	728
- Non-controlling interests	**60,784**	3,542
- Joint venture partners of jointly controlled entities	**8,130**	5,784
- Other state-owned enterprises	**124,046**	87,496
	226,564	133,243
	508,602	390,347

The credit periods of trade receivables due from related parties and trade payables due to related parties, if any, generally range from 30 to 180 days. Other receivables due from related parties and other payables due to related parties are generally unsecured, non-interest bearing and repayable on demand.

22. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Borrowings		
- Sinoma Group and fellow subsidiaries	**1,000,000**	—
- Other state-owned enterprises	**12,263,427**	12,739,571
	13,263,427	12,739,571
Other balances with other state-owned enterprises		
- Restricted bank balances	**1,098,133**	3,478,085
- Bank balances	**8,501,755**	10,033,871
	9,599,888	13,511,956

Restricted bank balances, bank balances and borrowings with related parties mainly represent balances with state-owned banks, which constitute of majority of restricted bank balances, bank balances and borrowings.

The weighted average effective interest rate of borrowings from related parties is 5.39% per annum as at 30 June 2009 (31 December 2008: 6.28%).

(c) Loans to related parties

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Loans to other state-owned enterprises:		
- At beginning of period / year	**5,353**	4,369
- At end of period / year	**—**	5,353
- Maximum amounts outstanding during the period / year	**5,353**	5,353

Loans to related parties are included in trade and other receivables in the condensed consolidated statement of financial position. The weighted average effective interest rate of loans to related parties is 7.47% per annum during the six months ended 30 June 2009 (31 December 2008: 7.47%). The loans were settled during the six months ended 30 June 2009.

22. RELATED PARTY DISCLOSURES (Continued)

(d) Key management compensation

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries, housing allowances and other allowances	**1,717**	1,926
Contributions to pension plans	**96**	104
Discretionary bonuses	**1,928**	1,046
Fee for directors	**360**	450
	4,101	3,526

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

23. SUBSEQUENT EVENTS

(a) On 28 July 2009, the Company appointed three of the fifteen directors in the board of directors of Gansu Qilianshan Cement Group Co., Ltd. ("Qilianshan Cement") which was classified as available-for-sale financial assets of the Company as at 30 June 2009. Due the appointment of the directors, the Company has significant influence in Qilianshan Cement and Qilianshan Cement is reclassified as an associate of the Company.

(b) On 31 July 2009, the Company issued corporate bonds (the "Corporate Bonds") amounted to RMB2,500,000,000. The Corporate Bonds carry an interest rate at 5.4% per annum and have a maturity date on 29 July 2016.

24. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Definitions

"Articles of Association" or "Articles"	the articles of association of the Company as second amended at the extraordinary general meeting of the Company on 5 August 2008
"Audit Committee"	the audit committee of the Board
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"BBMG Corporation"	BBMG Corporation （北京金隅股份有限公司）, a joint stock company incorporated under the laws of the PRC with limited liability
"Board"	the board of Directors
"Cinda"	China Cinda Asset Management Corporation （中國信達資產管理公司）, one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Co., Ltd.（中國中材股份有限公司）, a joint stock limited company incorporated on 31 July 2007 under the laws of the PRC
"CTG"	Taishan Fiberglass Inc. （泰山玻璃纖維有限公司）, a wholly-owned subsidiary of the Company
"Companies Law"	the Companies Law of the People's Republic of China
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed Foreign Shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed and traded on the Main Board of the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the main board of the Hong Kong Stock Exchange
"Ningxia Building Materials"	Ningxia Building Materials Group Company Limited （寧夏建材集團有限責任公司）, a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"NSSF"	The National Council for Social Security Fund of the PRC （中國全國社會保障基金理事會）
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd.（中國中材集團有限公司） (previously known as China National Materials Group Corporation), the controlling shareholder and one of the promoters of the Company
"Parent Group"	collectively, the Parent and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China, which for the purposes of this interim report only (unless otherwise indicated) excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Board

Definitions

"Qilianshan"	Gansu Qilianshan Cement Co., Ltd. （甘肅祁連山水泥集團股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600720)
"RMB"	Renminbi, the lawful currency of the PRC
"Saima Industry"	Ningxia Saima Industry Co., Ltd（寧夏賽馬實業股份有限公司）, the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600449), a subsidiary of the Company
"Securities Law"	the Securities Law of the People's Republic of China
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. （中材高新材料股份有限公司）, a subsidiary of the Company
"Sinoma Cement"	Sinoma Cement Co., Ltd. （中材水泥有限責任公司）, a wholly-owned subsidiary of the Company
"Sinoma Environmental"	Henan Sinoma Environmental Protection Co., Ltd.（河南中材環保有限公司), a wholly-owned subsidiary of the Company
"Sinoma Hanghuo"	Sinoma Hanghuo Science Park Development Co., Ltd. （中材恒和科技園開發有限公司）, a wholly-owned subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd（中材礦山建設有限公司）, a wholly-owned subsidiary of the Company
"Sinoma International"	Sinoma International Engineering Co., Ltd.（中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. （中材金晶玻纖有限公司）, a subsidiary of the Company
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. （中材科技股份有限公司）, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002080), a subsidiary of the Company
"Sinoma Shangrao"	Sinoma Shangrao Machinery Co., Ltd. （上饒中材機械有限公司）, a wholly-owned subsidiary of the Company
"Strategy Committee"	the strategy committee of the Board
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Taishan Investment"	Taian Taishan Investment Co., Ltd.（泰安市泰山投資有限公司）, one of the domestic shareholders of the Company
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. （新疆天山水泥股份有限公司）, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材（集團）有限責任公司), one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited（華建國際集團有限公司）, one of the promoters of the Company
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. （廈門艾思歐標準砂有限公司）, a subsidiary of the Company
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd.（淄博高新技術風險投資股份有限公司）, one of the promoters of the Company

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China National Materials Company Limited