SINOMA

China National Materials Company Limited

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

Materials
bring a prosperous life

2010 Interim Report

(Stock Code: 01893)

Contents

Corporate Information

As at 30 June 2010

Directors

Executive Directors

TAN Zhongming *(Chairman)*
ZHOU Yuxian *(President)*
LI Xinhua *(Vice chairman)*

Non-executive Directors

YU Shiliang
LIU Zhijiang
CHEN Xiaozhou

Independent Non-executive Directors[1]

LEUNG Chong Shun
SHI Chungui
LU Zhengfei
WANG Shimin

Supervisors[2]

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

Strategy Committee[3]

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian
CHEN Xiaozhou
LI Xinhua

Audit Committee

LU Zhengfei *(Chairman)*
WANG Shimin
LIU Zhijiang

Remuneration Committee

SHI Chungui *(Chairman)*
LEUNG Chong Shun
LU Zhengfei

Nomination Committee

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

Secretary of the Board[4]

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

1 Mr. TONG Anyan resigned as the independent non-executive Director on 6 May 2010. Please refer to the announcement of the Company dated 6 May 2010 for details. Upon the approval by the extraordinary general meeting, Mr. ZHOU Zude was appointed as the independent non-executive Director on 26 July 2010. Please refer to the announcements of the Company dated 9 June 2010 and 26 July 2010 for details.

2 Mr. WANG Wei resigned as the Supervisor on 3 March 2010. Please refer to the announcement dated 3 March 2010 for details. Ms. ZHANG Lirong ceased to be the Supervisor on 26 July 2010 and Mr. QU Xiaoli's appointment as the Supervisor took effect on the same date, please refer to the announcements of the Company dated 9 June 2010 and 26 July 2010 for details.

3 Mr. ZHOU Zude was appointed as a member of the Strategy Committee of the Board on 26 July 2010. Please refer to the announcement of the Company dated 26 July 2010 for details.

4 Mr. GU Chao was appointed as the secretary of the Board on 26 July 2010. Please refer to the announcement of the Company dated 26 July 2010 for details.

Corporate Information

As at 30 June 2010

Place of Business in Hong Kong

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

Legal Advisor

DLA Piper UK LLP *(as to Hong Kong law)*
Jia Yuan Law Firm *(as to PRC law)*

Auditor

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
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

01893

Company Website

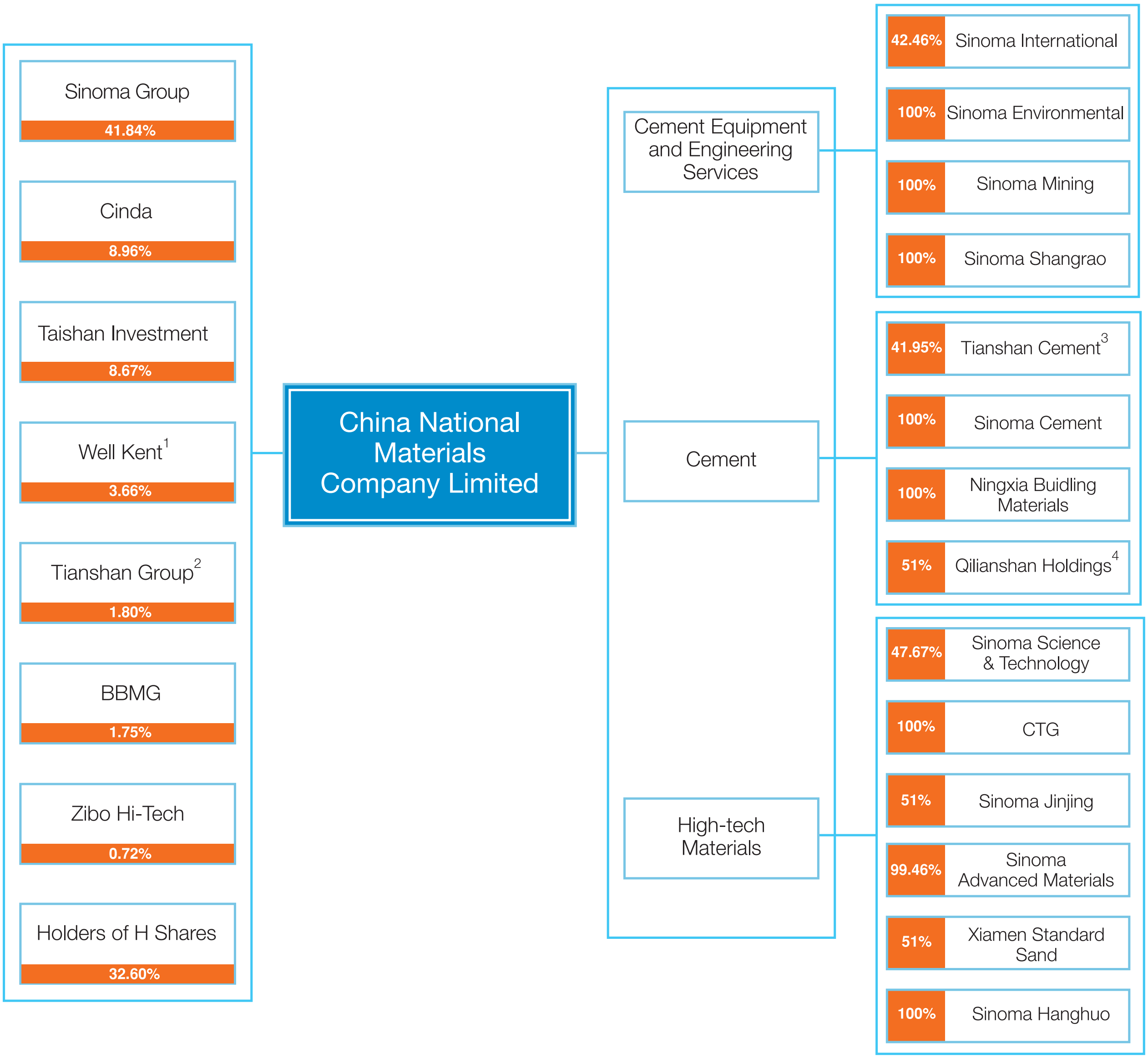
http://www.sinoma-ltd.cn

Investor Contact

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

Corporate Structure

As at 30 June 2010



Notes:

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

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

3 Upon the completion of Tianshan Cement's private placement on 26 April 2010, the equity interest held by the Company increased from 36.28% to 41.95%.

4 Upon the completion of capital contribution and acquisition to Qilianshan Holdings on 23 April 2010, Qilianshan Holdings became a 51%-owned subsidiary of the Company.

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

Financial Summary

	Six months ended 30 June		
	2010	2009	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
Turnover	**18,209.86**	12,517.36	45.48
Profit for the period	**1,349.64**	846.68	59.40
Profit attributable to owners of the Company	**448.74**	308.88	45.28
Basic earnings per share (RMB)	**0.126**	0.086	45.28

	30 June	31 December	
	2010	2009	Change
	RMB million	RMB million	%
	(Unaudited)	(Audited)	
Total assets	**63,157.28**	49,760.24	26.92
Total liabilities	**45,244.99**	35,795.19	26.40
Equity attributable to owners of the Company	**8,415.62**	8,264.06	1.83
Equity per share (RMB)	**2.36**	2.31	1.83

Business Summary

Cement Equipment and Engineering Services

	Six months ended 30 June		
	2010	2009	Change
			%
Amount of new contracts (RMB million)	**16,318**	10,668	52.96

	30 June	31 December	
	2010	2009	Change
			%
Amount of backlog (RMB million)	**55,334**	50,494	9.59

Cement

	Sales volume for the six months ended 30 June		
	2010	2009	Change
Cement ('000 tonnes)	**13,758**	9,141	50.51
Clinker ('000 tonnes)	**4,523**	1,614	180.24

High-tech Materials

	Sales volume for the six months ended 30 June		
	2010	2009	Change
			%
Glass fiber and products ('000 tonnes)	**200**	129	55.04
Fan blades for wind power generator (sets)	**559**	185	202.16

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 2010.

In the first half of 2010, positive signs of global economic recovery were still clouded by many uncertainties. The Chinese economy continued to develop in a manner directed by macroeconomic control policies. The general situation of the national economy remained positive, with GDP recording a period-on-period growth of 11.1%. During the reporting period, the Company actively grasped opportunities brought by the PRC government with policies of the continuing expand domestic demand and accelerated change in economic development approach and its structural adjustment as well as the recovery of the international market and overcame the negative impact of increased competition within the industry following the international financial crisis and made good use of advantages of our leading strategic position, technological advantage and overall competition in the industry. This enabled us to place our full effort in exploring the domestic and international markets and continue to expand our market share through acquisition, merger and consolidation. We continued to strengthen the production and operation management and expand our leading position in terms of region, products and services, resulting in the rapid and continuous growth of our operating results. For the six months ended 30 June 2010, turnover of the Company was RMB18,209.86 million, representing an increase of 45.48% as compared with the corresponding period of 2009. Profit for the period was RMB1,349.64 million, representing an increase of 59.40% as compared with the corresponding period of 2009. Profit attributable to owners of the Company was RMB448.74 million, representing an increase of 45.28% as compared with the corresponding period of 2009. Earnings per share was RMB0.126.

Cement equipment and engineering services

During the reporting period, our cement equipment and engineering services segment continued to remain rapid growth. As the global economy recovered, investment in fixed assets increased, thus pushing up the demand in cement projects. We explored international market by taking full advantage of our own technology, equipment, services, brand name and competitive advantage. The amount of new contracts increased substantially to RMB16.3 billion, representing a period-on-period growth of 53%. As at 30 June 2010, backlog of the segment amounted to RMB55.3 billion, which further consolidated our market position as the largest cement equipment and engineering services provider in the world, laying a good foundation for the continuous healthy development of the segment in the future.

During the reporting period, we continuously extended this segment's operations and actively developed the spare parts business, technology remoulding business and production management business related to cement equipment and engineering based on its strategic objectives of "limited-related diversification", and prepared the establishment of a resources and environmental engineering company and a photovoltaic technology engineering company. We also increased efforts in research and development, continuously enhanced its capability in the manufacturing of equipment and increased the self-sufficient rate of EPC projects; and further enhanced its ability in fulfillment of contracts by continuously raising its designing standard and enhancing efforts in sophisticated management, resulting in a significant growth in segment results.

Cement

During the reporting period, we adhered to the strategy of being the regional leader, stepped up efforts in the restructuring and consolidation of cement companies in the Northwestern region by completing the private placement of shares of Tianshan Cement together with the proposed capital injections into Jiugang Hongda, which further enhanced our control over cement market in the Northwestern region. The Company's forward looking strategy paved way for continuous rapid development of its cement business. As at the date of this report, our controlled cement production capacity has reached a total of 58.20 million tonnes through acquisition and construction of new production lines. The controlled production capacity in the Northwestern region reached 34.20 million tonnes. The Company had another 15 production lines of various scales under construction or proposed for contruction in the Northern region.

During the reporting period, our cement segment stepped up efforts in the implementation of low-carbon and clean production, resulting in a newly-added installed capacity of waste heat generators of 36MW. The segment also continued to improve the performance indicators of its operation and identify production potential to increase segment results.

High-tech Materials

During the reporting period, our high-tech materials segment grasped opportunities presented by the recovery of the domestic and international glass fiber market and actively adjusted its marketing strategy and improved its product structure, thus pushing up the sales volume. It increased segment results by actively identifying potential and reducing costs. The Company continued to expand its production capacity for wind power blades, which further strengthened the Company's leading position among MW-class wind power blades companies in China. At the same time, we are steadily exploring the markets and commercializing for products of advanced composite materials and advanced ceramic materials.

Prospects

In the second half of 2010, the Company will pay close attention to changes in the macroeconomic environment and market fluctuations and seek opportunities to further improve the implementation and progress of the strategies for various segments; continue to optimize capital structure, further reduce financing cost and enhance return on invested capital; actively carry out reorganization, merger and acquisition and continue to improve the technological innovation and foster core competitiveness to realise a higher growth rate in annual turnover. The Company is confident that it will achieve excellent results in the second half of the year to achieve a healthy and rapid growth of the business of the Company.

The cement equipment and engineering services segment will take advantage of the recovery of the international market and the good opportunities driven by investment in China to explore overseas markets including India and Brazil, and continue to increase the amounts of new contracts and strive to exceed RMB10 billion in new contract amounts during the second half of the year; actively develop the equipment manufacturing industry to achieve 2 percentage points higher in the growth of the self-sufficient rate than 2009; accelerate the implementation of the "limited-related diversification " strategy, focus on the business development of using cement kiln to dispose urban household waste and urban sludge, start the photovoltaic project EPC business, complete the establishment of the resources and environmental engineering company and the photovoltaic technology engineering company and launch the relevant business, thus laying a firm foundation for the continuous growth of future operations of the segment.

The rapid development of the cement segment will continue. The Company will take advantage of the favourable opportunity of the PRC government's West Development policy and increased support for Xinjiang region to accelerate the progress of project construction, merger and acquisition in the Northwestern region where our cement business is high profitable in order to enhance the Company's market share, integrate the regional markets of Gansu, Qinghai, Xinjiang and Ningxia, and gradually expand into surrounding areas, and we shall try to realize the controlled production capacity of 70.00 million tonnes by the end of 2010. Meanwhile, the Company will continue to increase the management standard of our cement business to increase profitability continuously.

The high-tech materials segment will take advantage of the rapid development of the global new energy and new material industries and make use of its leading technological advantage to complete the basic layout of the wind power blades industry in the PRC, to form the advantages of multi-category products, to further expand production capacity of the wind power blades and to increase the production and sales volumes. Continuous attention will be paid to the changes and development trends of the domestic and international glass fiber markets and make full use of the current rebounds in product demand and prices to improve product structure, increase the percentage of high value-added products and products urgently needed by the markets, sales volume of glass fiber and the related products will reach 180,000 tonnes in the second half of the year. The high-tech materials segment will continue to improve the utilization rate of production capacity, reduce cost and increase profitability to ensure the segment results in 2010 to grow faster and better.

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

TAN Zhongming
Chairman of the Board

Beijing, China
24 August 2010

Management Discussion and Analysis

Business Review

Overview

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

In the first half of 2010, the general world economy continued to slowly recover due to the effect of the international financial crisis, but economic growth in developed nations and regions such as the United States, Western Europe and Japan were comparably weak in economy recovery; and coupled with such negative factors as the European sovereign debt crisis, the basis for recovery of the world economy was still shaky and the international economic environment was complicated. Under the guidance of the policy of "Facilitating growth, Expanding domestic demand and Adjusting structure（促增長、擴內需、調結構)", the PRC economy pushed up its investment through proactive financial policies and moderately easy monetary policies, realizing a GDP growth of 11.1%. The present PRC macroeconomy is in the critical period of steady rebound and the macroeconomic control measures are moving towards the planned direction. But under the complex and variable international economic environment, uncertainties and complexities of the PRC economy are also increasing.

Faced with a recovering but harsh economics and market situations, the Company made accurate judgement, reasonable decisions and actively grasped opportunities to explore the international cement project markets; and to explore new markets and new customers by taking advantage of the more evident economic recovery of emerging markets and their pressing investment needs, which result in more obvious operating results. By taking full advantage of the PRC government's West Development policy and its supportive policies in Xinjiang, Gansu, etc., and by accelerating acquisitions, restructuring and project construction, the Company expanded its geographical coverage and control in the cement market in Northwestern China and further enhanced the geographical leading position of the Company. By taking advantage of the PRC government's increased efforts in structural adjustment and the development of new energy industries, the Company continued to increase investment in related businesses to facilitate the expansion in the scale, technological capability and profitability of the relevant business. During the reporting period, the Company continued to push for the commercialization of its technological achievements, enhanced its technological innovation ability and maintained its leading position in technology. It strengthened efforts in internal management, optimized the allocation of financial resources, reduced cost and increased profitability. Therefore, the Company not only effectively overcame the pressure of the economic instability, but also took full advantage of the favourable opportunities brought by the economic recovery and the relevant national policies, thus maintaining a continuous and rapid growth of operating results.

CEMENT EQUIPMENT AND ENGINEERING SERVICES

Industry Review

During the reporting period, the global economy recovered slowly. Consumption on cement of developed markets such as the United States, Western Europe, etc. rebounded compared to the same period of last year. There was an obvious growth in demand in the Asian cement market including the PRC and sales volume of the cement in South America continued to grow. Despite the decrease in investment in cement due to the sovereign debt crisis in some developed economic entities in Europe, the gradual economic recovery in emerging markets and the recovery of credit markets enabled the overall demand in cement to remain in a growing trend. There has been a significant increase in the number of new contracts in the global cement engineering market and it is expected that the newly-added markets will mainly include the areas of Africa, the Middle East, India, Brazil and Eastern Europe, etc.

In September 2009, policies issued by the PRC government imposed more strict rules on the approval of cement production line projects, restrained the over-fast growth of investment in fixed assets in the cement manufacturing industry. However, investment in fixed assets in the cement manufacturing industry in China still remained at a growth rate of 15.39% during the reporting period and completed investment amounted to RMB86.04 billion. The cement industry maintained its recovery momentum in the second half of last year with more obvious regional characteristics of cement investment. The cement engineering market varies in accordance with the location and intensity of cement investment. As the strategic policies of the PRC to expand domestic demand are focusing on "urbanization", "indemnificatory housing" and "eliminating backward capacity", the regional cement investment will bring opportunities for the development of the cement engineering market. Government guidance on industrial policies relating to energy-saving, environmental protection and carbon reduction has also expanded the market for companies with self-owned intellectual property rights.

Business Review

Continued to increase market extension efforts to further strengthen our top position in the world

During the reporting period, the Company continued to actively explore domestic and overseas markets. The number of new orders for overseas cement projects clearly picked up and the number of domestic contracts reached a new high. The amount of new contracts in the first half of the year was RMB16.318 billion, representing a period-on-period growth of 52.96%, among which the amount of new overseas contracts was RMB9.31 billion, representing a period-on-period growth of 144.44%; and the amount of new domestic contracts was RMB7.008 billion, representing a period-on-period growth of 2.24%. As at the end of June 2010, the amount of our backlog was RMB55.334 billion, which further consolidated our leading position in the market share. The abundance of reserved orders guaranteed the stable growth in revenue of the segment in the next few years.

Strengthened the contract fulfillment capability and pushed forward the smooth implementation of projects

During the reporting period, the Company further strengthened its ability to allocate project resources, enhanced its cost control and improved risk control ability to ensure the smooth implementation of projects under construction in a high-quality and high-efficiency way. The Lafarge Indonesia, Lafarge Uganda, Tanzania TCCL production lines constructed by the Company successfully commenced production. The Songtao EP project in Vietnam successfully passed the performance tests and acceptance checks; the RCC Phase II project in Saudi Arabia received the Provisional Acceptance Certificate (PAC); the production lines in Guizhou Wujiang, Yunnan Zhenkang, Tianrui Nanzhao, Sichuan Desheng, Sichuan Dongfanghong, Hanzhong Mianxian Yaobai were completed and commenced production successively; and the Kaisa Phase II clinker production line in Vietnam obtained the Final Acceptance Certificate (FAC) from the owner.

Promote technological innovation to enhance our core competitiveness

During the reporting period, the Company, being a leader of the industry, set its development target at the forefront, focused on its self-innovation and adopted a technology-oriented approach, endeavoured to boost the commercialization of its technological achievement by further increasing its investments in research and development. The Company developed a large number of new technology, new equipment that are widely used by cement production companies, thus making contribution to the development of the cement industry. The "Designing Standards of para-disposal of industrial waste for cement kiln" (水泥窑協同處置工業廢物設計規範) and "Designing Standards of para-disposal of sludge engineering for cement kiln" (水泥窑協同處置污泥工程設計規範) edited by the Company have passed the national examination. The Company was awarded the first "PRC Energy-Saving Contribution Award" (節能中國貢獻獎) and its new generation of new dry process cement production technology was awarded the "Top 10 New Technological Application for Energy Saving in the PRC of 2010" (2010節能中國十大新技術應用獎), which was the highest award in the PRC energy-saving industry.

Cement

Industry Overview

In the first half of 2010, investment in fixed assets in China maintained a stable growth, demand in cement increased constantly and cement production grew rapidly. With the easing in the increase of production capacity and the recent increase in the costs of fuel, electricity and transportation of cement production, market prices in the cement rose in a steady manner. In the first half of 2010, total cement production in the PRC reached 848 million tonnes, representing a period-on-period increase of 17.5%.

Since September 2009, Chinese government has successively introduced various macroeconomic control measures to strictly control the increasing of additional cement production capacity and to speed up the elimination of backward production capacity. In 2010, Chinese government increased efforts in eliminating backward production capacity, together with successive introduction of macroeconomic policies helped to ensure the healthy development of the cement industry in the future, facilitate the structural adjustment of the cement industry and further enhance centralization of the industry.

Business Review

The rise in production and sales volume drove up segment results

During the reporting period, demand in cement in the Northwestern China, the primary market of the Company, continued to rise, and cement prices exceeded the national average and remained high. As the Company expanded its production capacity in the Northwestern China, the Company's subsidiaries in the Northwestern region grasped market opportunities and fully utilized their production capacity and achieved excellent operating results. Moreover, the cement market in Guangdong improved compared to last year so the Company took this favourable opportunity and increased its profitability. Results of the cement segment of the Company grew significantly in the first half of the year, with sales volume of cement and clinker of 18.281 million tonnes, representing a period-on-period increase of 69.98%. Its turnover amounted to RMB5,209.63 million, representing a period-on-period increase of 65.98%. The segment results recorded a period-on-period growth of 61.54%.

Stable implementation of corporate strategies to accelerate regional market integration and strategic expansion

During the reporting period, the Company continued to carry out its strategies of maintaining its position as the largest cement enterprise in Northern China and as a regional leader, accelerated the pace of regional market integration and capacity expansion. The Company actively pushed on the integration in the aspect of internal management and corporate culture with Qilianshan Holdings. The Company carried out its strategic plan of integrating the Gansu and Xinjiang cement markets through Qilianshan Holdings. Tianshan Cement, a subsidiary of the Company, completed its private placement of shares and reinforced its potential strength for development, laying a solid foundation for gaining additional market share in Xinjiang. Such measures further consolidated the leading position of the Company in the cement market in Northwestern China.

As at the date of this report, total controlled cement production capacity of the Company reached 58.20 million tonnes, among which 6.20 million tonnes were newly added, including 4 million tonnes through the merger and acquisition of Anhui Yingpu, 1 million tonnes through the commencement of production of line II in Hanzhong, Shaanxi Province, and 1.20 million tonnes through the capital injection in Jiugang Hongda. The cement production capacity of the Company in the Northwestern region reached 34.20 million tonnes. Meanwhile, 15 production lines of various scales were under construction or proposed for construction in the North region, and upon their commencement of production, will provide an additional production capacity of 18.70 million tonnes.

Promotion of low-carbon clean production through energy-saving and emission-reduction

The Company places great efforts in energy-saving and emission-reduction in order to improve profitability. During the reporting period, the pure low temperature waste-heat power generation projects constructed with six cement production lines commenced production, which had an additional waste-heat power generation installed capacity of 36MW. As at the end of June 2010, total installed capacity of waste-heat power generation of the cement production lines of the Company amounted to 96.5MW; a total of 173.7996 million KWh of electricity was generated during the reporting period and carbon dioxide emission reduced by 156,000 tonnes. Eight waste-heat power generation projects were under construction with a designed power generation capacity of 83.5MW. Two clinker production lines that produce cement clinker from carbide slag and with a daily capacity of 2,000 tonnes will be put into production in Midong, Xinjiang in the second half of 2010. Upon completion and commencement of production in the second half of the year, it is expected that such two clinker production lines will consume over 1 million tonnes of industrial waste such as carbide slag per year. Compared to production of cement using limestone, this production method can reduce carbon dioxide emission by 600,000 tonnes per year and reduce production costs by more than 20%.

Continued to reinforce management and improve operating efficiency

During the reporting period, the Company adopted various management measures to reinforce internal management and improve operating efficiency by establishing benchmark comparision systems and setting benchmark comparision standards. Major operation indicators continued to be improved and consumption indicators recorded a period-on-period decrease. The standard coal consumed by clinker per tonne reduced by 5.19% and the average running rate indicator recorded a period-on-period increase of 6.84 percentage points. Our corporate competitiveness had been further strengthened, therefore further improved the profitability.

Management Discussion and Analysis

High-tech Materials

Industry Review

During the reporting period, under the backdrop of global initiatives in energy-saving and low-carbon economy, new energy, energy-saving and environmental protection industries continued to develop rapidly. According to the latest information of the Global Wind Energy Council (GWEC), it is expected that the total installed capacity of wind power generator in China will increase by 10 million KW in 2010. The State new energy plan has propelled the development of wind power industry and opened up the wide market for the production of wind power equipment; and the gradual improvement of the demand and supply system of domestic wind turbines and components have also facilitated the development of the wind power industry, thus driving the continuous and rapid growth of the wind power blades industry. As market competition rises and the cost of raw materials declines, the price of products is in a decreasing trend. It is expected that in 2010, China will rank the second in the world in terms of total installed capacity of wind power generator.

During the reporting period, the glass fiber industry underwent an evident recovery. Monthly production and sales volume of the industry took a clear rebound as compared to last year. In the first half of the year, total output in glass fiber industry amounted to 1.25 million tonnes, representing a period-on-period increase of 21.4%. Monthly output in June 2010 amounted to 228,000 tonnes, representing a growth rate of 20%. As downstream demand further increased and production and sales volume of the industry rose, major domestic and overseas glass fiber manufacturers experienced pressure of supply. Driven by economy recovery in Europe and the United States, export of glass fiber from China rebounded quickly; as at the end of June 2010, exported glass fiber amounted to 620,000 tonnes, representing a period-on-period growth of 49.8%, realised an export amount of US$860 million, representing a period-on-period growth of 52.9%. Product selling prices of major domestic glass fiber manufacturers increased significantly, in particular since March 2010.

Business Review

The rise in production and sales volume of wind power blades lead to the rapid growth in profitability

During the reporting period, the Company's wind power blades business continued its rapid growth since 2009, recording increases in both production and sales volume. Production efficiency and capacity had further increased with further reduction in production costs, resulting in the continuous rapid growth in profitability.

Relying on its strong leading position in technology and product performance, the Company successively launched construction projects for production lines of wind power blades in Baicheng in Jilin, Jiuquan in Gansu and Badaling in Beijing, which are expected to commence production in the second half of 2010 with additional production capacity of 600 sets of 1.5MW wind power blades and 600 sets of 3MW wind power blades.

The glass fiber business of the Company recovered rapidly

During the reporting period, the glass fiber business of the Company recovered rapidly. On one hand, the Company took advantage of the favourable opportunities of strong growth in the domestic composite material sector and the significant increase in glass fiber consumption arising from the continuous expansion of the sector to position itself in the market and expand domestic market share. On the other hand, the Company exerted great efforts in response to the anti-dumping measures by the European Union and other countries, adjusted its international market structure and focused on developing markets in America, the Middle East and the Asia Pacific.

The Company seized market opportunities to increase its production capacity and strengthened the business scale. During the reporting period, a production line of the Company with a production capacity of 60,000 tonnes commenced production and two other production lines completed technology transformation.

Enhanced production and operation management and insistence on technological innovation

The Company enhanced its core competitiveness through technological innovation, management reinforcement and costs reduction. During the reporting period, the moulding time of production of wind power blades decreased from 32 hours to 24 hours as the Company reinforced the internal technological management, streamlined innovation procedures, optimized technology process, facilitated quality upgrade and increased the utilization rate of materials and production efficiency.

The Company continued to increase efforts in the glass fiber business in developing kiln burning processes and the promotion of such application, and continuously reduced the energy consumed by molten glass per unit. The Company also increased efforts in the research and development of new environmental protection formula and the promotion of its application to continue to reduce the cost of assorted materials.

Financial Review

	Six months ended 30 June		
	2010 RMB million (Unaudited)	2009 RMB million (Unaudited)	Change %
Turnover	**18,209.86**	12,517.36	45.48
Cost of sales	**(14,783.83)**	(10,346.10)	42.89
Gross profit	**3,426.03**	2,171.26	57.79
Other gains	**278.91**	250.24	11.46
Selling and marketing expenses	**(436.89)**	(319.64)	36.68
Administrative expenses	**(1,233.40)**	(828.63)	48.85
Exchange loss	**(51.34)**	—	—
Other expenses	**(12.67)**	(21.75)	(41.75)
Operating profit	**1,970.64**	1,251.48	57.46
Interest income	**99.54**	103.02	(3.38)
Finance costs	**(437.42)**	(283.92)	54.06
Share of results of associates	**20.91**	3.11	572.35
Profit before tax	**1,653.67**	1,073.69	54.02
Income tax expense	**(304.03)**	(227.01)	33.93
Profit for the period	**1,349.64**	846.68	59.40
Profit for the period attributable to:			
Owners of the Company	**448.74**	308.88	45.28
Non-controlling interests	**900.90**	537.80	67.52

Management Discussion and Analysis

Operating Results

For the six months ended 30 June 2010, profit before tax of the Group was RMB1,653.67 million, representing an increase of 54.02% as compared with the corresponding period of last year. Profit attributable to the owners of the Company was RMB448.74 million, representing an increase of 45.28% as compared with the corresponding period of last year. Earnings per share of the Company was RMB0.126.

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 2010 was RMB18,209.86 million, representing an increase of 45.48% as compared with RMB12,517.36 million in the corresponding period of last year. The increase was mainly attributable to the significant increase in volume of projects completed during the reporting period for cement equipment and engineering services business, the increases in sales and production of cement in the major production areas of the Company, continuous increase in production and sales of wind power blades and the rebound in the demand for glass fiber products. In particular, turnover of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB3,416.91 million, RMB2,070.93 million and RMB955.44 million respectively.

Cost of sales

Cost of sales of the Group for the six months ended 30 June 2010 was RMB14,783.83 million, representing an increase of 42.89% as compared with RMB10,346.10 million in the corresponding period of last year. The increase was mainly due to the increase in turnover. The cost of sales of the cement equipment and engineering services segment, cement segment, and high-tech materials segment increased by RMB2,920.42 million, RMB1,593.91 million and RMB610.84 million respectively.

Gross profit and gross margin

Gross profit of the Group for the six months ended 30 June 2010 was RMB3,426.03 million, representing an increase of 57.79% as compared with RMB2,171.26 million in the corresponding period of last year. Among which, gross profit of the cement equipment and engineering services segment, cement segment, and high-tech materials segment increased by RMB496.49 million, RMB477.02 million and RMB 344.60 million respectively.

Gross margin of the Group for the six months ended 30 June 2010 increased by 1.46 percentage points from 17.35% in the corresponding period of last year to 18.81%. The cement equipment and engineering services segment and the high-tech materials segment recorded an increase in gross margin, while the cement segment recorded a decrease in gross margin.

Selling and marketing expenses

Selling and marketing expenses of the Group for the six months ended 30 June 2010 was RMB436.89 million, representing an increase of 36.68% as compared with RMB319.64 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume of products. The selling and marketing expenses of the cement segment, high-tech materials segment and cement equipment and engineering services segment increased by RMB58.19 million, RMB40.95 million and RMB18.12 million respectively.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2010 was RMB1,233.40 million, representing an increase of 48.85% as compared with RMB828.63 million in the corresponding period of last year. The increase was mainly due to the increases in expenditures on research and development, increase in labor costs and impairment provision for certain assets. The administrative expenses of the cement equipment and engineering services segment, the high-tech materials segment and the cement segment increased by RMB179.02 million, RMB129.32 million and RMB110.24 million respectively.

Operating profit and operating profit margin

Operating profit of the Group for the six months ended 30 June 2010 was RMB1,970.64 million, representing an increase of 57.46% as compared with RMB1,251.48 million in the corresponding period of last year. The operating profit margin of the Group for the six months ended 30 June 2010 was 10.82%, representing an increase of 0.82 percentage points as compared with 10.00% in the corresponding period of last year.

Finance costs

Finance costs of the Group for the six months ended 30 June 2010 was RMB437.42 million, representing an increase of 54.06% as compared with RMB283.92 million in the corresponding period of last year. The increase was mainly due to the increase in the scale of financing.

Share of results of associates

Share of results of associates of the Group for the six months ended 30 June 2010 was RMB20.91 million, representing an increase of 572.35% as compared with RMB3.11 million in the corresponding period of last year. The increase was mainly due to the consolidation of the equity interest in Qilianshan Co. as an associate of the Company from January to April of 2010.

Income tax expense

Income tax expense of the Group for the six months ended 30 June 2010 was RMB304.03 million, representing an increase of 33.93% as compared with RMB227.01 million in the corresponding period of last year. The increase was mainly due to the significant increase in profit before tax.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the six months ended 30 June 2010 was RMB900.90 million, representing an increase of 67.52% as compared with RMB537.80 million in the corresponding period of last year. The increase was mainly due to the relatively significant improvement in the results of certain subsidiaries in which the Company holds relatively low percentage of shares.

Profit attributable to the owners of the Company

Given the above, profit attributable to owners of the Company for the six months ended 30 June 2010 was RMB448.74 million, representing an increase of 45.28% as compared with RMB308.88 million in the corresponding period of 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		
	2010 RMB million (Unaudited)	2009 RMB million (Unaudited) (Restated)	Change %
Turnover	**11,387.61**	7,970.70	42.87
Cost of sales	**9,915.72**	6,995.30	41.75
Gross profit	**1,471.89**	975.40	50.90
Selling and marketing expenses	**75.15**	57.03	31.77
Administrative expenses	**578.63**	399.61	44.80
Segment results	**825.88**	505.02	63.53

Turnover

Turnover of the cement equipment and engineering services segment for the six months ended 30 June 2010 was RMB11,387.61million, representing an increase of 42.87% as compared with RMB7,970.70 million in the corresponding period of last year. The increase was mainly due to the Company's continuous strengthened in contract fulfillment capacity, which led to 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 2010 was RMB9,915.72 million, representing an increase of 41.75% as compared with RMB6,995.30 million in the corresponding period of last year. The increase was mainly due to the increase in turnover.

Gross profit and gross margin

Gross profit of the cement equipment and engineering services segment for the six months ended 30 June 2010 was RMB1,471.89 million, representing an increase of 50.90% as compared with RMB975.40 million in the corresponding period of last year. Gross margin of the cement equipment and engineering services segment for the six months ended 30 June 2010 increased by 0.69 percentage points as compared with 12.24% in the corresponding period of last year to 12.93%. The increase in gross margin was mainly due to gradual enhancement of market competitiveness, coupled with cost control through optimizing project design, reasonable arrangement of construction period and other refined management measures by the Company.

Selling and marketing expenses

Selling and marketing expenses of the cement equipment and engineering services segment for the six months ended 30 June 2010 was RMB75.15 million, representing an increase of 31.77% as compared with RMB57.03 million in the corresponding period of last year, mainly due to the increases in the amount of new contracts and in the volume of projects completed during the period.

Administrative expenses

Administrative expenses of the cement equipment and engineering services segment for the six months ended 30 June 2010 was RMB578.63 million, representing an increase of 44.80% as compared with RMB399.61 million in the corresponding period of last year. The increase was mainly due to the higher growth rate of expenditures on research and development and increased labor 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 2010 was RMB825.88 million, representing an increase of 63.53% as compared with RMB505.02 million in the corresponding period of last year.

Cement segment

	Six months ended 30 June		
	2010 **RMB million** **(Unaudited)**	2009 RMB million (Unaudited) (Restated)	Change %
Turnover	**5,209.63**	3,138.70	65.98
Cost of sales	**3,848.72**	2,254.81	70.69
Gross profit	**1,360.91**	883.89	53.97
Selling and marketing expenses	**249.54**	191.35	30.41
Administrative expenses	**327.76**	217.52	50.68
Segment results	**919.69**	569.33	61.54

Turnover

Turnover of the cement segment for the six months ended 30 June 2010 was RMB5,209.63 million, representing an increase of 65.98% as compared with RMB3,138.70 million in the corresponding period of last year. The increase was mainly attributable to the commencement of operation of certain new production lines and the acquisition of two companies during the period.

Cost of sales

Cost of sales of the cement segment for the six months ended 30 June 2010 was RMB3,848.72 million, representing an increase of 70.69% as compared with RMB2,254.81 million in the corresponding period of last year, which was mainly due to the increase in sales volume.

Gross profit and gross margin

Gross profit of the cement segment for the six months ended 30 June 2010 was RMB1,360.91million, representing an increase of 53.97% as compared with RMB883.89 million in the corresponding period of last year. Gross margin of the cement segment for the six months ended 30 June 2010 decreased by 2.04 percentage points as compared with 28.16% in the corresponding period of last year to 26.12%, the decrease in gross margin of the cement segment was mainly due to the decrease in average unit selling price of products.

Selling and marketing expenses

Selling and marketing expenses of the cement segment for the six months ended 30 June 2010 was RMB249.54 million, representing an increase of 30.41% as compared with RMB191.35 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume and the increase in packaging, labor and other costs.

Administrative expenses

Administrative expenses of the cement segment for the six months ended 30 June 2010 was RMB327.76 million, representing an increase of 50.68% as compared with RMB217.52 million in the corresponding period of last year. The increase was mainly due to the acquisition of two companies and the commencement of operation of certain new production lines.

Segment results

On the basis of the abovementioned, the results of the cement segment for the six months ended 30 June 2010 was RMB919.69 million, representing an increase of 61.54% as compared with RMB569.33 million in the corresponding period of last year.

High-tech materials segment

	Six months ended 30 June		
	2010	2009	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
		(Restated)	
Turnover	**2,458.55**	1,503.11	63.56
Cost of sales	**1,795.88**	1,185.04	51.55
Gross profit	**662.67**	318.07	108.34
Selling and marketing expenses	**112.20**	71.25	57.47
Administrative expenses	**301.68**	172.36	75.03
Segment results	**319.24**	190.46	67.62

Turnover

Turnover of the high-tech materials segment for the six months ended 30 June 2010 was RMB2,458.55 million, representing an increase of 63.56% as compared with RMB1,503.11 million in the corresponding period of last year. The increase was mainly attributable to the continuous increase in production and sales volume of wind power blades and the rebound in demand for glass fiber products.

Cost of sales

Cost of sales of the high-tech materials segment for the six months ended 30 June 2010 was RMB1,795.88 million, representing an increase of 51.55% as compared with RMB1,185.04 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume.

Gross profit and gross margin

Gross profit of the high-tech materials segment for the six months ended 30 June 2010 was RMB662.67 million, representing an increase of 108.34% as compared with RMB318.07 million in the corresponding period of last year. Gross margin of the high-tech materials segment for the six months ended 30 June 2010 increased by 5.79 percentage points as compared with 21.16% in the corresponding period of last year to 26.95%.

Selling and marketing expenses

Selling and marketing expenses of the high-tech materials segment for the six months ended 30 June 2010 was RMB112.20 million, representing an increase of 57.47% as compared with RMB71.25 million in the corresponding period of last year. The increase was mainly due to the increase in sales volume, transportation and other expenses.

Administrative expenses

Administrative expenses of the high-tech materials segment for the six months ended 30 June 2010 was RMB301.68 million, representing an increase of 75.03% as compared with RMB172.36 million in the corresponding period of last year. The increase was mainly due to impairment provision for certain assets and the increase in expenditures on research and development.

Segment results

On the basis of the abovementioned, the results of the high-tech materials segment for the six months ended 30 June 2010 was RMB319.24 million, representing an increase of 67.62% as compared with RMB190.46 million in the corresponding period of last year.

Liquidity and capital resources

Cash Flows:

	Six months ended 30 June		
	2010	2009	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
Net cash from operating activities	**301.85**	819.61	(63.17)
Net cash used in investing activities	**(1,987.99)**	(1,713.24)	16.04
Net cash from financing activities	**4,729.16**	1,459.03	224.13
Cash and cash equivalents at end of the period	**13,106.53**	10,817.23	21.16

Net cash from operating activities

Net cash from operating activities for the six months ended 30 June 2010 decreased from RMB819.61 million in the corresponding period of last year to RMB301.85 million. The decrease was mainly due to the shrunk 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 2010 increased from RMB1,713.24 million in the corresponding period of last year to RMB1,987.99 million. The increase was mainly due to the increase in cash expenditures on acquisitions of property, plant and equipment.

Net cash from financing activities

Net cash from financing activities for the six months ended 30 June 2010 increased from RMB1,459.03 million in the corresponding period of last year to RMB4,729.16 million. The increase was mainly due to the increase in the scale of bank borrowings and the issuance of medium-term notes.

Working Capital

As at 30 June 2010, the Group's cash and cash equivalents was RMB13,106.53 million (31 December 2009: RMB10,077.92 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 30 June 2010 increased to 106.63% (31 December 2009: 97.26%).

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as the total borrowings (including the sum of current and non-current borrowings and bonds and notes payable as shown in the consolidated statement of financial position) less cash and cash equivalents. As at 30 June 2010, the net gearing ratio of the Group was 50.70% (31 December 2009: 33.72%).

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 2010, the balance of the Group's borrowings amounted to RMB22,187.30 million.

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Short-term borrowings and long-term borrowings due within one year	**7,112.02**	5,439.63
Short-term financing bills	**400.00**	—
Long-term borrowings, net of portions due within one year	**10,490.82**	6,863.74
Corporate bonds	**2,484.46**	2,483.38
Medium-term notes	**1,700.00**	—
Total borrowings	**22,187.30**	14,786.75

Pledge of Assets

The Group's property, plant and equipment, prepaid lease payments with carrying values of RMB3,074.31 million and RMB770.27 million as at 30 June 2010 were pledge as security respectively (31 December 2009: RMB2,468.20 million and RMB298.34 million). As at 31 December 2009, the Group's investment properties with a carrying value of RMB11.63 million (30 June 2010: Nil) are pledged as security.

Contingent liabilities

	30 June 2010 RMB million (Unaudited)	31 December 2009 RMB million (Audited)
Pending lawsuits or arbitrations	**31.22**	68.17
Outstanding guarantees	**514.50**	751.50
Total	**545.72**	819.67

Material investments

For the six months ended 30 June 2010, the Group did not have any material investments.

Material acquisitions and disposals of assets

For the six months ended 30 June 2010, 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, incorporating 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 interest rates are subject to adjustment by our lenders in accordance with changes in the People's Bank of China regulations. 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 debts structure by broadening more financing sources and controlling financing costs through the issuance of corporate bonds.

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 have increased. 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 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 2010.

Share Capital

The share capital structure of the Company as at 30 June 2010 was set out as follows:

Type of shares	Number of Shares	Approximate percentage to the total issued share capital
Domestic Shares	2,276,522,667	63.74%
Foreign Shares		
Unlisted 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 the six months ended 30 June 2010.

Disclosure of Interests

Interests and Short Positions of Directors, Supervisors and the Chief Executive in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2010, none of the Directors, Supervisors and the chief executive 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 (the "**Model Code**").

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

As at 30 June 2010, to the best knowledge of the Directors, Supervisors and the chief executive 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	Un-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	92,938,000	7.98%	2.60%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	Long position	71,277,000	6.12%	2.00%
The Hamon Investment Group Pte Limited	H shares	Long position	70,959,000	6.10%	1.99%
Allianz SE	H shares	Long position	69,251,000	5.94%	1.94%
The Dreyfus Corporation	H shares	Long position	60,754,000	5.22%	1.70%

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 the chief executive of the Company, as at 30 June 2010, 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 2010, 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 of importance of their positions, responsibilities and performance. As at 30 June 2010, the Group had 45,995 employees.

Material Legal Affairs

On 17 December 2009, European Union filed an anti-dumping investigation on certain glass fiber products from China. After that, on 8 January 2010 and 22 January 2010, India and Turkey also filed respective anti-dumping investigations on certain glass fiber products from China. Our subsidiaries CTG and Sinoma Jinjing were involved in the aforesaid investigations. If the three countries and regions, including European Union, decide that dumping activities come into existence and such activities caused damages to their domestic industrial competitors, anti-dumping duties in certain extent will be imposed on glass fiber products under the aforesaid investigations. The Company together with CTG, Sinoma Jinjing and other PRC glass fiber manufacturers and vendors are undergoing the anti-dumping response under the unified coordination by relevant authorities such as Building Materials Federation, Association of Glass Fiber Industry and Chamber of Commerce for Import and Export of Light Industrial Products and Arts-Crafts (輕工商會).

In the first half of 2010, the relevant sales volume of glass fiber products exported by CTG and Sinoma Jinjing to the European Union, India and Turkey accounted to approximately 20% of the total sales volume of glass fiber products of the Group.

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 2010, without 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 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 and Supervisors, confirms that the Directors and Supervisors have strictly complied with the Model Code for the six months ended 30 June 2010.

(3) Audit Committee

The Company has established the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is responsible for proposing to the Board regarding the appointment, reappointment and removal of external 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. LU Zhengfei (the chairman of the Audit Committee, with professional qualification and experience in finance), Mr. WANG Shimin and Mr. LIU Zhijiang respectively. On 18 August 2010, the Audit Committee reviewed the interim financial statements of the Company for the six months ended 30 June 2010 and voted for the same.

(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 by the Board or 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 2010

	Notes	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Turnover	4	**18,209,860**	12,517,361
Cost of sales		**(14,783,830)**	(10,346,100)
Gross profit		**3,426,030**	2,171,261
Interest income		**99,536**	103,023
Other gains		**278,911**	250,236
Selling and marketing expenses		**(436,893)**	(319,635)
Administrative expenses		**(1,233,398)**	(828,632)
Exchange loss		**(51,338)**	—
Other expenses		**(12,673)**	(21,745)
Finance costs	5	**(437,424)**	(283,920)
Share of results of associates		**20,916**	3,105
Profit before tax		**1,653,667**	1,073,693
Income tax expense	6	**(304,027)**	(227,014)
Profit for the period	7	**1,349,640**	846,679
Profit for the period attributable to:			
Owners of the Company		**448,740**	308,881
Non-controlling interests		**900,900**	537,798
		1,349,640	846,679
Earnings per share – basic and diluted (expressed in RMB per share)	9	**0.126**	0.086

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**1,349,640**	846,679
Other comprehensive (expenses) income		
Safety fund set aside	**18,945**	—
Exchange differences arising on translation	**(14,409)**	(541)
(Loss) gain on fair value changes of available-for-sale financial assets	**(110,418)**	243,251
Income tax relating to components of other comprehensive income (expenses)	**25,060**	(60,637)
Other comprehensive (expenses) income for the period (net of tax)	**(80,822)**	182,073
Total comprehensive income for the period	**1,268,818**	1,028,752
Total comprehensive income attributable to:		
Owners of the Company	**381,444**	491,569
Non-controlling interests	**887,374**	537,183
	1,268,818	1,028,752

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**25,172,798**	18,538,699
Prepaid lease payments	10	**2,717,167**	2,010,748
Investment properties	10	**130,659**	126,758
Intangible assets	10	**605,456**	151,717
Mining rights	10	**475,627**	146,476
Interests in associates		**223,494**	765,119
Available-for-sale financial assets		**2,108,467**	2,167,356
Trade and other receivables	12	**37,475**	68,424
Deposits paid for acquisition of subsidiaries	11	**3,257**	632,770
Other non-current assets		**111,122**	132,852
Deferred income tax assets		**340,488**	261,911
		31,926,010	25,002,830
Current assets			
Inventories		**5,951,749**	4,539,818
Trade and other receivables	12	**10,525,667**	8,285,598
Amounts due from customers for contract work		**197,748**	168,261
Prepaid lease payments	10	**67,517**	67,447
Derivative financial instruments		**5,761**	13,550
Other current assets		**52,984**	42,927
Restricted bank balances		**1,323,307**	1,561,888
Bank balances and cash		**13,106,533**	10,077,924
		31,231,266	24,757,413
Current liabilities			
Trade and other payables	13	**20,934,262**	19,395,443
Amounts due to customers for contract work		**526,847**	405,084
Dividends payable		**86,316**	—
Derivative financial instruments		**9,463**	648
Income tax liabilities		**191,387**	192,463
Short-term financing bills	14	**400,000**	—
Borrowings	15	**7,112,021**	5,439,633
Early retirement and supplementary benefit obligations	16	**30,232**	20,479
		29,290,528	25,453,750
Net current assets (liabilities)		**1,940,738**	(696,337)
Total assets less current liabilities		**33,866,748**	24,306,493

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current liabilities			
Trade and other payables	13	**1,948**	1,438
Derivative financial instruments		**—**	4,586
Corporate bonds	17	**2,484,463**	2,483,381
Medium-term notes	18	**1,700,000**	—
Borrowings	15	**10,490,823**	6,863,743
Deferred income		**335,822**	312,081
Early retirement and supplementary benefit obligations	16	**295,653**	142,693
Deferred income tax liabilities		**645,751**	533,514
		15,954,460	10,341,436
NET ASSETS		**17,912,288**	13,965,057
Capital and reserves			
Share capital	19	**3,571,464**	3,571,464
Reserves	20	**4,844,151**	4,692,600
Equity attributable to owners of the Company		**8,415,615**	8,264,064
Non-controlling interests		**9,496,673**	5,700,993
TOTAL EQUITY		**17,912,288**	13,965,057

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund RMB'000 (Note (i))	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note (ii))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2010 (Unaudited)												
At 1 January 2010 (audited)	**3,571,464**	**3,273,160**	**(942,833)**	**45,841**	**48,730**	**995**	**1,129,810**	**(227,170)**	**1,364,067**	**8,264,064**	**5,700,993**	**13,965,057**
Total comprehensive income for the period	–	–	–	–	**12,483**	**(7,314)**	**(72,465)**	–	**448,740**	**381,444**	**887,374**	**1,268,818**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	**(128,711)**	**(128,711)**
Contributions received from non-controlling interests	–	–	–	–	–	–	–	–	–	–	**560,534**	**560,534**
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	**2,331,183**	**2,331,183**
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	**(9,000)**	**(9,000)**
Transactions with non-controlling interests	–	–	–	–	–	–	–	**(276,606)**	–	**(276,606)**	**154,300**	**(122,306)**
Government contributions (Note 20)	–	–	–	–	–	–	–	**136,000**	–	**136,000**	–	**136,000**
Dividends recognised as distribution	–	–	–	–	–	–	–	–	**(89,287)**	**(89,287)**	–	**(89,287)**
At 30 June 2010 (unaudited)	**3,571,464**	**3,273,160**	**(942,833)**	**45,841**	**61,213**	**(6,319)**	**1,057,345**	**(367,776)**	**1,723,520**	**8,415,615**	**9,496,673**	**17,912,288**
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)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	(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

Notes:

(i) Pursuant to certain regulations issued by the State Administration of Work Safety of the People's Republic of China (the "PRC"), the Group is required to set aside an amount to a safety fund. The fund can be used for improvements of safety at the mines and construction sites, and is not available for distribution to owners.

(ii) Other reserves mainly comprise of reserves arising from transactions with the non-controlling interests, deemed contributions from owners of the Company and government contributions.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	**666,977**	1,045,308
Income tax paid	**(365,128)**	(225,701)
NET CASH FROM OPERATING ACTIVITIES	**301,849**	819,607
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,909,865)**	(1,885,972)
Purchase of prepaid lease payments	**(122,945)**	(31,549)
Payments for acquisition of additional equity interests in subsidiaries	**(122,306)**	(1,184,556)
Purchase of mining rights	**(62,332)**	(340)
Purchase of intangible assets	**(12,717)**	(6,087)
Deposit paid for acquisition of a subsidiary	**(3,257)**	—
Net cash inflow arising on acquisition of subsidiaries	**745,811**	—
Decrease in restricted bank balances	**240,581**	1,713,294
Proceeds from disposals of property, plant and equipment	**114,355**	86,229
Interest received on bank deposits and loan receivables	**99,536**	103,023
Proceeds for net gain arising from foreign currency forward contracts	**27,937**	—
Dividends received on available-for-sale financial assets	**7,213**	9,583
Decrease (increase) in loan receivables	**5,957**	(2,243)
Dividends received from associates	**3,543**	—
Proceeds for net gain arising from interest rate swap contract	**502**	—
Purchase of available-for-sale financial assets	**—**	(501,050)
Purchase of investment properties	**—**	(13,576)
NET CASH USED IN INVESTING ACTIVITIES	**(1,987,987)**	(1,713,244)

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from new borrowings	**6,627,683**	8,822,467
Gross proceeds from issuance of medium-term notes	**1,700,000**	—
Contributions received from non-controlling interests	**560,534**	13,527
Government contributions	**136,000**	—
Government grants received	**117,349**	95,917
Repayments of borrowings	**(3,774,714)**	(7,019,369)
Interest paid	**(507,706)**	(287,024)
Dividends paid to non-controlling interests	**(118,019)**	(166,492)
Capital reduction of a subsidiary	**(9,000)**	—
Dividends paid	**(2,971)**	—
NET CASH FROM FINANCING ACTIVITIES	**4,729,156**	1,459,026
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,043,018**	565,389
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**10,077,924**	10,252,386
Effect of foreign exchange rate changes	**(14,409)**	(541)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**13,106,533**	10,817,234

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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. ("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 unaudited 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 and sales of cement and high-tech materials.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited 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 unaudited condensed consolidated financial statements are consistent with those of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") – Interpretation ("Int") 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

As the Group has elected to measure the non-controlling interest at their share of the identifiable net assets for transactions occurred during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no material effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issue[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 January 2011.

3 Effective for annual periods beginning on or after 1 February 2010.

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

5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

In prior period, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. cement equipment and engineering services, cement, glass fibre and high-tech materials). However, information reported to the chief operating decision maker is specifically focused on the nature of business for goods supplied and services provided.

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment are as follows:

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

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirement of HKFRS 8.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment.

Six months ended 30 June 2010

	Cement equipment and engineering services RMB'000 (Unaudited)	Cement RMB'000 (Unaudited)	High-tech materials RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE					
External sales	**10,541,685**	**5,209,627**	**2,458,548**	**—**	**18,209,860**
Inter-segment sales	**845,928**	**—**	**—**	**(845,928)**	**—**
Total	**11,387,613**	**5,209,627**	**2,458,548**	**(845,928)**	**18,209,860**
Segment results	**825,879**	**919,691**	**319,241**	**(69,435)**	**1,995,376**
Unallocated operating income and expenses					**(24,737)**
Interest income					**99,536**
Finance costs					**(437,424)**
Share of results of associates					**20,916**
Profit before tax					**1,653,667**

4. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

Six months ended 30 June 2009

	Cement equipment and engineering services RMB'000 (Unaudited) (Restated)	Cement RMB'000 (Unaudited) (Restated)	High-tech materials RMB'000 (Unaudited) (Restated)	Eliminations RMB'000 (Unaudited) (Restated)	Total RMB'000 (Unaudited) (Restated)
REVENUE					
External sales	7,876,065	3,138,183	1,503,113	—	12,517,361
Inter-segment sales	94,634	521	—	(95,155)	—
Total	7,970,699	3,138,704	1,503,113	(95,155)	12,517,361
Segment results	505,020	569,325	190,457	(5,736)	1,259,066
Unallocated operating income and expenses					(7,581)
Interest income					103,023
Finance costs					(283,920)
Share of results of associates					3,105
Profit before tax					1,073,693

Segment results represent the profit earned by each segment without allocation of directors' remuneration, interest income, finance costs, share of results of associates and other administrative expenses of head office. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. SEGMENT INFORMATION (Continued)

(b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited) (Restated)
Cement equipment and engineering services	**11,947,921**	10,377,337
Cement	**24,025,813**	15,592,831
High-tech materials	**10,955,840**	9,807,680
Total segment assets	**46,929,574**	35,777,848
Eliminations	**(1,131,687)**	(831,887)
Unallocated assets	**17,359,389**	14,814,282
Consolidated assets	**63,157,276**	49,760,243

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segment other than unallocated assets including interests in associates, deferred income tax assets, derivative financial instruments, restricted bank balances, bank balances and cash and certain unallocated head office assets.

(c) Other segment information

Six months ended 30 June 2010

	Cement equipment and engineering services RMB'000 (Unaudited)	**Cement RMB'000 (Unaudited)**	**High-tech materials RMB'000 (Unaudited)**	**Unallocated RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Amounts included in the measure of segment results:					
Depreciation	**74,716**	**321,154**	**239,333**	**167**	**635,370**
Amortisation	**6,297**	**30,693**	**15,456**	**8**	**52,454**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Share of results of associates	**6,357**	**13,747**	**812**	**—**	**20,916**

4. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

Six months ended 30 June 2009

	Cement equipment and engineering services RMB'000 (Unaudited) (Restated)	Cement RMB'000 (Unaudited) (Restated)	High-tech materials RMB'000 (Unaudited) (Restated)	Unallocated RMB'000 (Unaudited)	Total RMB'000 (Unaudited) (Restated)
Amounts included in the measure of segment results:					
Depreciation	79,814	240,392	179,129	134	499,469
Amortisation	667	23,842	13,038	—	37,547
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Share of results of associates	5,266	(784)	(1,377)	—	3,105

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses	**450,312**	298,698
Less: Amounts capitalised as construction-in-progress	**(15,652)**	(16,223)
	434,660	282,475
Net foreign exchange losses (gains) on bank borrowings	**404**	(671)
Discount charges on bank acceptance notes	**2,360**	2,116
Total finance costs	**437,424**	283,920

6. 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% (2009: 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 are exempted from tax or taxed at preferential rates of 15% (2009: 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.

6. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
- PRC enterprise income tax	**311,266**	231,172
- Overseas taxation	**7,949**	1,911
- Underprovision in previous years	**360**	1,996
	319,575	235,079
Deferred income tax	**(15,548)**	(8,065)
	304,027	227,014

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation and amortisation		
- property, plant and equipment	**631,935**	498,446
- prepaid lease payments	**31,184**	21,635
- investment properties	**3,435**	1,023
- intangible assets	**14,656**	13,941
- mining rights	**6,614**	1,971
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses)	**48,617**	42,576
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**69,302**	1,210
Impairment loss recognised in respect of available-for-sale financial assets (included in administrative expenses)	**207**	—
Allowance for inventories (included in cost of sales)	**6,464**	6,966
Reversal of allowance for inventories (included in cost of sales)	**(244)**	(11,001)
Donations	**3,686**	1,292
Net foreign exchange gains (excluding those arising from borrowings)	**—**	(25,588)
Net gain on disposals of property, plant and equipment	**(6,241)**	(431)
Net gain arising from foreign currency forward contracts	**(27,937)**	—
Net gain arising from interest rate swap contract	**(502)**	—
Dividend income on available-for-sale financial assets	**(7,213)**	(9,583)
Income from liabilities forgiven	**(295)**	(466)
Government grants	**(93,608)**	(133,488)

8. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
2009 final dividend of RMB0.025 per share recognised as distribution during the interim period (2009: 2008 final dividend of RMB0.020 per share)	**89,287**	71,429

No interim dividend was paid, declared or proposed during the six months ended 30 June 2010, nor has any dividend been proposed since the end of the interim reporting period (2009: Nil).

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the period 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 2010 and 2009.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	**448,740**	308,881
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,571,464
Basic earnings per share (RMB)	**0.126**	0.086

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two periods ended 30 June 2010 and 2009.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

10. CAPITAL EXPENDITURE

The movements 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 2010 (Unaudited)						
Carrying values at 1 January 2010 (audited)	**18,538,699**	**2,078,195**	**126,758**	**151,717**	**146,476**	**21,041,845**
Additions	**3,169,123**	**122,945**	**—**	**411,470**	**62,332**	**3,765,870**
Attributable to acquisition of subsidiaries	**4,274,327**	**614,728**	**7,336**	**56,925**	**273,433**	**5,226,749**
Disposals	**(108,114)**	**—**	**—**	**—**	**—**	**(108,114)**
Depreciation and amortisation charged for the period	**(631,935)**	**(31,184)**	**(3,435)**	**(14,656)**	**(6,614)**	**(687,824)**
Impairment loss recognised in the unaudited condensed consolidated income statement	**(69,302)**	**—**	**—**	**—**	**—**	**(69,302)**
Carrying values at 30 June 2010 (unaudited)	**25,172,798**	**2,784,684**	**130,659**	**605,456**	**475,627**	**29,169,224**
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 unaudited 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

11. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(a) Balance as at 30 June 2010 of RMB3,257,000 represents the deposit paid by Suzhou Sinoma Architecture and Building Materials Design and Research Institute Co., Ltd. ("Suzhou Sinoma DRI"), a non-wholly-owned subsidiary of the Group, for a capital injection and acquisition on Xinjiang Tianshan Building Materials Group Fine Chemicals Company Limited ("Fine Chemicals").

On 24 April 2010, Suzhou Sinoma DRI entered into a capital injection and acquisition agreement with Fine Chemicals and the owners of Fine Chemicals, whereby Suzhou Sinoma DRI agreed to acquire 51% equity interests from one of the owners of the Fine Chemicals for a consideration of approximately of RMB4,845,000. In addition, Suzhou Sinoma DRI also agreed to inject additional capital into Fine Chemicals amounted to approximately RMB1,652,000 together with one of the owners of Fine Chemicals. Upon completion of the acquisition and capital injection, Suzhou Sinoma DRI shall hold 51% equity interests in Fine Chemicals.

The acquisition and capital injection have not been completed as of the date of the interim report.

(b) Balance as at 31 December 2009 of RMB332,770,000 represents the deposit paid by the Company for a capital injection and acquisition on Gansu Qilianshan Building Materials Holdings Company Limited ("Qilianshan Holdings").

The capital injection and acquisition on Qilianshan Holdings has been completed on 23 April 2010. Details of the capital injection and acquisition are set out in Note 21(i).

(c) Balance as at 31 December 2009 of RMB300,000,000 represents the deposit paid by Sinoma Cement Co., Ltd. ("Sinoma Cement"), a wholly-owned subsidiary of the Group, 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.

The acquisition on Anhui Yingpu has been completed on 11 February 2010. Details of the acquisition are set out in Note 21(ii).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

12. TRADE AND OTHER RECEIVABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables and retentions		
Trade receivables	**5,330,385**	3,534,111
Retentions	**113,743**	145,821
	5,444,128	3,679,932
Less: Impairment loss recognised	**(589,690)**	(456,896)
Trade receivables and retentions, net	**4,854,438**	3,223,036
Loan receivables, prepayments, deposits, staff advances and other receivables		
Loan receivables	**90,076**	96,033
Prepayments to suppliers and subcontractors	**4,498,837**	4,290,487
Staff advances	**196,470**	139,265
Deposits	**159,936**	89,935
Other receivables	**911,637**	637,205
	5,856,956	5,252,925
Less: Impairment loss recognised	**(148,252)**	(121,939)
Loan receivables, prepayments, deposits, staff advances and other receivables, net	**5,708,704**	5,130,986
Total trade and other receivables	**10,563,142**	8,354,022
Less: Non-current portion		
Retentions	**(37,475)**	(68,424)
Current portion	**10,525,667**	8,285,598

Refer to Note 25(b) for details of receivables due from related parties.

12. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of the Group's trade receivables and retentions net of impairment loss presented based on the invoice date is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Less than 6 months	**2,981,965**	2,031,251
6 months to 1 year	**1,409,625**	740,394
1 year to 2 years	**319,997**	317,033
2 years to 3 years	**102,956**	102,744
Over 3 years	**39,895**	31,614
	4,854,438	3,223,036

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 amounted to RMB90,076,000 (31 December 2009: RMB81,033,000) are non-interest bearing. As at 31 December 2009, the interest bearing loan receivables amounted to RMB15,000,000 (30 June 2010: Nil) bored interest at 5.31% (30 June 2010: Nil). The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

13. TRADE AND OTHER PAYABLES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade payables	**8,474,420**	7,180,966
Deposits, advances, accruals and other payables		
Prepayments from customers	**10,145,592**	10,406,273
Accrued payroll and welfare	**169,071**	191,145
Accrued social security costs	**201,927**	201,741
Other taxes	**175,603**	152,023
Accrued expenses	**271,260**	169,210
Deposits payable	**133,614**	143,072
Dividends payable to non-controlling interests by subsidiaries	**68,805**	58,113
Other payables	**1,295,918**	894,338
	12,461,790	12,215,915
Total trade and other payables	**20,936,210**	19,396,881
Less: Non-current portion		
Accrued payroll and welfare	**(1,948)**	(1,438)
Current portion	**20,934,262**	19,395,443

Refer to Note 25(b) for details of payables due to related parties.

13. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis of trade payables presented based on the invoice date is as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 6 months	**5,499,900**	4,249,504
6 months to 1 year	**1,902,535**	1,951,479
1 year to 2 years	**758,557**	789,146
2 years to 3 years	**210,217**	100,405
Over 3 years	**103,211**	90,432
	8,474,420	7,180,966

(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 end of the reporting period.

14. SHORT-TERM FINANCING BILLS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Short-term financing bills	**400,000**	—

On 21 January 2010, Gansu Qilianshan Cement Group Co., Ltd. ("Qilianshan Co."), a non-wholly-owned subsidiary which acquired by the Group on 23 April 2010 as detailed in Note 21(i), issued one-year short-term financing bills of face value at RMB400,000,000 in the PRC inter-bank bond market. The short-term financing bills bear a fixed interest rate of 3.99% per annum and the interest is paid on mature.

15. BORROWINGS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current		
Long-term bank borrowings		
- Secured (Note a)	**1,803,550**	1,335,977
- Unsecured	**8,518,280**	5,481,686
	10,321,830	6,817,663
Other borrowings		
- Secured (Note a)	**8,280**	2,000
- Unsecured	**160,713**	44,080
	168,993	46,080
Total non-current borrowings	**10,490,823**	6,863,743
Current		
Current portion of long-term bank borrowings		
- Secured (Note a)	**349,378**	320,878
- Unsecured	**421,198**	448,403
	770,576	769,281
Short-term bank borrowings		
- Secured (Note a)	**242,650**	522,360
- Unsecured	**5,282,105**	3,544,227
	5,524,755	4,066,587
Other borrowings		
- Secured (Note a)	**—**	1,000
- Unsecured	**816,690**	602,765
	816,690	603,765
Total current borrowings	**7,112,021**	5,439,633
Total borrowings	**17,602,844**	12,303,376

15. BORROWINGS (Continued)

Notes:

(a) Secured borrowings of the Group are secured by the Group's property, plant and equipment and prepaid lease payments with carrying values of approximately RMB3,074,314,000 and RMB770,268,000 as at 30 June 2010 (31 December 2009: RMB2,468,196,000, and RMB298,340,000) respectively. As at 31 December 2009, secured borrowings of the Group were also secured by the Group's investment properties with carrying values of approximately RMB11,625,000 (30 June 2010: Nil).

(b) The Group's borrowings as at 30 June 2010 included borrowings of approximately RMB83,090,000 (31 December 2009: RMB93,112,000) of Sinoma Hanjiang Cement Co., Ltd. ("Sinoma Hanjiang"), a non-wholly-owned 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.

(c) The Group's borrowings as at 30 June 2010 included borrowings of approximately RMB1,602,460,000 (31 December 2009: RMB1,798,972,000) of Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement"), a non-wholly-owned subsidiary of the Group, 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 upon completion of the reorganisation (the "Reorganisation") in preparing for a listing of the Company's shares on the Stock Exchange in 2007.

15. BORROWINGS (Continued)

Notes: (Continued)

(d) The movements of borrowings are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At 1 January	**12,303,376**	12,784,401
Attributable to acquisition of subsidiaries	**2,444,634**	—
Amortisation of the difference between the initial amount and the maturity amount using the effective interest	**1,461**	11,674
Proceeds from new borrowings	**6,627,683**	8,822,467
Repayments of borrowings	**(3,774,714)**	(7,019,369)
Net foreign exchange losses (gains) on borrowings	**404**	(671)
At 30 June	**17,602,844**	14,598,502

16. 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 the PRC who leave the Group after 31 December 2006.

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Total liability in the unaudited condensed consolidated statement of financial position	**325,885**	163,172
Less: Current portion	**(30,232)**	(20,479)
	295,653	142,693

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

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
At 1 January	**163,172**	163,681
Attributable to acquisition of subsidiaries	**162,070**	—
Interest cost	**3,310**	2,850
Actuarial losses (gains)	**8,010**	(501)
Payments	**(10,677)**	(10,612)
At 30 June	**325,885**	155,418

17. CORPORATE BONDS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Corporate bonds, at amortised cost	**2,484,463**	2,483,381

On 31 July 2009, the Company issued seven-year corporate bonds of face value at RMB2,500,000,000 in the PRC capital market. The issuance expenses amounting to RMB17,500,000 had been deducted from the corporate bonds account. The corporate bonds bear a fixed interest rate of 5.40% per annum and the interest is paid annually.

The effective interest rate of the corporate bonds is 5.52% per annum.

18. MEDIUM-TERM NOTES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Medium-term notes, at amortised cost	**1,700,000**	—

On 10 March 2010, the Company issued the medium-term notes amounted to RMB1,700,000,000 with a term of five years. The medium-term notes bear a fixed interest rate of 4.48% per annum and the interest is paid annually.

The effective interest rate of the medium-terms notes is 4.78% per annum.

19. SHARE CAPITAL

	Non-listed domestic shares		**Non-listed foreign shares**		**H Shares**		**Total**	
	Number of shares '000	**Amount** RMB'000	**Number of shares** '000	**Amount** RMB'000	**Number of shares** '000	**Amount** RMB'000	**Number of shares** '000	**Amount** RMB'000
Registered, issued and fully paid:								
At 1 January 2009, 30 June 2009, 31 December 2009, 1 January 2010 and 30 June 2010	2,276,523	2,276,523	130,793	130,793	1,164,148	1,164,148	3,571,464	3,571,464

20. RESERVES

Government contributions

During the six months ended 30 June 2010, national funds amounting to RMB136,000,000 are contributed by the PRC Government to the Company through Sinoma Group. Such funds are used specifically for low temperature cogeneration project, residues utilisation project and carbide to cement production project.

Pursuant to the requirements of the relevant notice, the national funds are designated as capital contribution and vested solely by the PRC Government. They can be converted to share capital of the entities receiving the funds upon approval by their shareholders and completion of other procedures.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(i) Qilianshan Holdings

On 27 December 2009, the Company entered into a capital injection and acquisition agreement with the State-owned Assets Supervision and Administrative Commission of Gansu Provincial Government ("Gansu Provincial SAC") and Qilianshan Holdings, whereby the Company has agreed to inject additional capital into Qilianshan Holdings amounted to RMB100,000,000, representing 15.33% of the enlarged registered share capital of Qilianshan Holdings. In addition, the Company also agreed to acquire 35.67% equity interests from Gansu Provincial SAC for a consideration of approximately RMB232,770,000. Details of the capital injection and acquisition were set out in the Company's announcement dated 27 December 2009. Upon completion of the capital injection and acquisition on 23 April 2010, the Company holds 51% equity interests in Qilianshan Holdings.

Since 15 June 2009, the Company has 11.88% equity interests in Qilianshan Co., a non-wholly-owned subsidiary of Qilianshan Holdings, which classified as an associate up to 23 April 2010. On 23 April 2010, the Company acquired 51% equity interests in Qilianshan Holdings and therefore Qilianshan Co. became a subsidiary of the Company thereafter.

This acquisition of Qilianshan Holdings has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition is RMB398,130,000.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(i) Qilianshan Holdings (Continued)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before acquisition	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,947,026	295,269	3,242,295
Prepaid lease payments	204,193	294,869	499,062
Investment properties	5,621	1,715	7,336
Intangible assets	55,916	8	55,924
Mining rights	30,794	83,550	114,344
Available-for-sale financial assets	51,159	577	51,736
Other non-current assets	35,209	—	35,209
Deferred income tax assets	49,098	—	49,098
Inventories	322,910	—	322,910
Trade and other receivables	795,188	—	795,188
Other current assets	1,647	—	1,647
Restricted bank balances	2,000	—	2,000
Bank balances and cash	1,144,284	—	1,144,284
Trade and other payables	(884,603)	—	(884,603)
Income tax liabilities	(44,226)	—	(44,226)
Short-term financing bills	(400,000)	—	(400,000)
Borrowings	(1,894,430)	—	(1,894,430)
Early retirement and supplementary benefit obligations	(162,070)	—	(162,070)
Deferred income tax liabilities	—	(118,161)	(118,161)
Net assets acquired	2,259,716	557,827	2,817,543
Less: Non-controlling interests			(2,326,793)
Goodwill			398,130
			888,880
Fair value of previously-held interest			556,110
Fair value of consideration given for controlling interest			332,770
			888,880

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB795,188,000 had gross contractual amounts of RMB796,816,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is RMB1,628,000.

Goodwill arose in the acquisition of Qilianshan Holdings because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Qilianshan Holdings. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(i) Qilianshan Holdings (Continued)

	RMB'000
Consideration given for controlling interest satisfied by:	
Cash	332,770
Net cash inflow arising on acquisition:	
Cash consideration paid	(332,770)
Cash and cash equivalents acquired	1,144,284
	811,514
Deposit paid for acquisition in previous years	332,770
	1,144,284

Qilianshan Holdings contributed RMB609,558,000 and RMB127,468,000 to the Group's turnover and profit for the period respectively between the date of acquisition and the six months ended 30 June 2010.

If the acquisition had been completed on 1 January 2010, the Group's turnover for the period would have been RMB19,018,856,000, and profit for the period would have been RMB1,480,368,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(ii) Anhui Yingpu

On 11 February 2010, the Group acquired 100% equity interests in Anhui Yingpu from independent third parties for a final consideration of approximately RMB740,117,000. This acquisition has been accounted for using acquisition method. The amount of excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition arising as a result of the acquisition was RMB70,656,000.

The net assets acquired in the transaction, and the excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition arising, are as follows:

	Acquiree's carrying amount before acquisition	**Fair value adjustments**	**Fair value**
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,103,849	(75,204)	1,028,645
Prepaid lease payments	113,605	2,061	115,666
Intangible assets	74	—	74
Mining rights	65,071	94,018	159,089
Deferred income tax assets	14	18,801	18,815
Inventories	39,870	—	39,870
Trade and other receivables	95,952	—	95,952
Bank balances and cash	1,825	—	1,825
Trade and other payables	(74,754)	—	(74,754)
Income tax liabilities	(185)	—	(185)
Borrowings	(550,204)	—	(550,204)
Deferred income tax liabilities	—	(24,020)	(24,020)
Net assets acquired	795,117	15,656	810,773
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition			(70,656)
Fair value of consideration given for controlling interest			740,117

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB95,952,000 had gross contractual amounts of RMB95,952,000. No estimated uncollectible contractual cash flows were expected at acquisition date.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition is attributable to the ability of the Group in negotiating the agreed terms of the transaction with the vendor.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(ii) Anhui Yingpu (Continued)

	RMB'000
Consideration given for controlling interest satisfied by:	
Cash	704,217
Other payable	35,900
	740,117
Net cash outflow arising on acquisition:	
Cash consideration paid	(704,217)
Cash and cash equivalents acquired	1,825
	(702,392)
Deposit paid for acquisition in previous years	300,000
	(402,392)

Anhui Yingpu contributed RMB221,815,000 and RMB867,000 to the Group's turnover and profit for the period respectively between the date of acquisition and the six months ended 30 June 2010.

If the acquisition had been completed on 1 January 2010, the Group's turnover for the period would have been RMB18,256,960,000, and profit for the period would have been RMB1,350,962,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(iii) Beijing Tiandi Orient Superhard Materials Co., Ltd. ("Beijing Tiandi")

On 1 February 2010, the Group acquired an additional 36% of the equity interests of the former associate, Beijing Tiandi for a consideration of approximately RMB3,556,000. After the acquisition, the Group's interest held in Beijing Tiandi increased from 21% to 57%. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was RMB623,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount approximates to fair value
	RMB'000
Property, plant and equipment	3,387
Intangible assets	927
Inventories	6,859
Trade and other receivables	2,542
Bank balances and cash	7,475
Trade and other payables	(10,913)
Income tax liabilities	(66)
Net assets acquired	10,211
Less: Non-controlling interests	(4,390)
Goodwill	623
	6,444
Fair value of previously-held interest	2,888
Fair value of consideration given for controlling interest	3,556
	6,444

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB2,542,000 had gross contractual amounts of RMB2,542,000. No estimated uncollectible contractual cash flows were expected at acquisition date.

Goodwill arose in the acquisition of Beijing Tiandi because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Beijing Tiandi. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

21. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(iii) Beijing Tiandi (Continued)

	RMB'000
Consideration given for controlling interest satisfied by:	
Cash	3,556
Net cash inflow arising on acquisition:	
Cash consideration paid	(3,556)
Cash and cash equivalents acquired	7,475
	3,919

Beijing Tiandi contributed RMB5,984,000 and RMB40,000 to the Group's turnover and profit for the period respectively between the date of acquisition and the six months ended 30 June 2010.

If the acquisition had been completed on 1 January 2010, the Group's turnover for the period would have been RMB18,210,875,000, and profit for the period would have been RMB1,349,640,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

22. CONTINGENT LIABILITIES

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Pending lawsuits / arbitrations (Note a)	**31,222**	68,168
Outstanding guarantees (Note b)	**514,500**	751,500
	545,722	819,668

Notes:

(a) The Group has been named in certain lawsuits and other legal proceedings arising in the ordinary course of business. No provision has been made for pending lawsuits as the 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 independent third parties.

23. CAPITAL COMMITMENTS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of the acquisition of:		
- Property, plant and equipment	**603,626**	956,909
Capital expenditure contracted for but not provided in the unaudited condensed consolidated financial statements in respect of the acquisition of:		
- Property, plant and equipment	**1,108,499**	972,634
- A subsidiary	**3,240**	—
	1,111,739	972,634
	1,715,365	1,929,543

24. MAJOR NON-CASH TRANSACTIONS

(a) During the six month ended 30 June 2010, the Group has acquired 51% equity interests in Qilianshan Holdings for a consideration of approximately RMB332,770,000 which had been paid in the year ended 31 December 2009 as the deposit.

(b) During the six month ended 30 June 2010, the Group has acquired 100% equity interests in Anhui Yingpu for a consideration of approximately RMB740,117,000 of which RMB300,000,000 had been paid in the previous year as the deposit and RMB35,900,000 has been included in other payable as at 30 June 2010.

(c) During the six month ended 30 June 2010, the Group has acquired property, plant and equipment amounting to approximately RMB132,966,000 which has been included in other payable as at 30 June 2010.

(d) During the six month ended 30 June 2010, the Group has acquired property, plant and equipment amounting to approximately RMB110,640,000 which was settled by bills receivable of the Group.

25. 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 programmes. 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 unaudited 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 2010 and 2009 and balances as at 30 June 2010 and 31 December 2009 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.

25. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions

The Group has the following significant transactions with related parties:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with Sinoma Group and fellow subsidiaries		
Revenue		
- Sales of goods or provision of services	**32,783**	26,760
- Other gains	**1,723**	—
Expenses		
- Purchases of goods or services	**175,087**	22,039
- Rental expense	**6,291**	7,373
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	**23,718**	16,904
- Interest income	**801**	—
Expenses		
- Purchases of goods or services	**16,190**	8,481
Transactions with associates		
Revenue		
- Sales of goods or provision of services	**—**	8,556
Expenses		
- Purchases of goods or services	**899**	23,903
Others		
- Outstanding guarantees provided by the Group to associates	**—**	5,000

25. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions (Continued)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with non-controlling interests		
Revenue		
- Sales of goods or provision of services	**26,668**	4,380
Expenses		
- Purchases of goods or services	**5,850**	—
Transactions with joint venture partners of jointly controlled entities		
Revenue		
- Sales of goods or provision of services	**32,863**	19,716
Expenses		
- Purchases of goods or services	**6,465**	11,181
Transactions with other state-owned enterprises		
Revenue		
- Sales of goods or provision of services	**306,353**	254,781
- Interest income from bank deposits	**73,745**	55,697
Expenses		
- Purchases of goods or services	**235,787**	204,376
- Interest expense of bank borrowings	**327,386**	255,528
Others		
- Outstanding guarantees provided by the Group to other state-owned enterprise	**120,000**	80,000
- Outstanding guarantees provided by other state-owned enterprises to the Group	**70,000**	130,500

25. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Deposit paid for acquisition of a subsidiary		
- Other state-owned enterprises	—	332,770
Trade and other receivables		
Trade receivables due from		
- Sinoma Group and fellow subsidiaries	**47,293**	36,717
- Jointly controlled entities	**12,219**	9,070
- Associates	**369**	—
- Non-controlling interests	**210**	17,163
- Joint venture partners of jointly controlled entities	**41,299**	5,653
- Other state-owned enterprises	**299,364**	264,753
- Less: Impairment loss recognised	**(20,212)**	(13,475)
	380,542	319,881
Other receivables due from		
- Sinoma Group and fellow subsidiaries	**34,567**	144,961
- Jointly controlled entities	**30,383**	30,024
- Associates	**9,932**	—
- Non-controlling interests	**17,697**	32,805
- Other state-owned enterprises	**45,296**	40,335
- Less: Impairment loss recognised	—	(1,652)
	137,875	246,473
	518,417	566,354

25. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade and other payables		
Trade payables due to		
- Sinoma Group and fellow subsidiaries	**17,801**	28,311
- Jointly controlled entities	**8,488**	7,309
- Associates	**9,481**	5,630
- Non-controlling interests	**197**	6,435
- Joint venture partners of jointly controlled entities	**11,505**	5,989
- Other state-owned enterprises	**167,323**	152,387
	214,795	206,061
Other payables due to		
- Sinoma Group and fellow subsidiaries	**66,400**	18,433
- Jointly controlled entities	**397**	—
- Associates	**210**	—
- Non-controlling interests	**69,514**	59,136
- Other state-owned enterprises	**75,534**	73,592
	212,055	151,161
	426,850	357,222

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.

25. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Borrowings		
- Sinoma Group and fellow subsidiaries	**800,000**	600,000
- Other state-owned enterprises	**15,862,330**	11,664,236
	16,662,330	12,264,236
Other balances with other state-owned enterprises		
- Restricted bank balances	**1,291,388**	1,497,867
- Bank balances	**11,831,356**	9,870,156
	13,122,744	11,368,023

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 5.16% (31 December 2009: 5.37%) per annum as at 30 June 2010.

(c) Loans to related parties

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Loans to other state-owned enterprises		
- At beginning of period / year	**—**	5,353
- At end of period / year	**—**	—
- Maximum amounts outstanding during the period / year	**—**	5,353

Loans to related parties are included in trade and other receivables in the unaudited condensed consolidated statement of financial position. The interest rate of loans to related parties was 7.47% (30 June 2010: Nil) per annum as at 31 December 2009.

25. RELATED PARTY DISCLOSURES (Continued)

(d) Key management compensation

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**3,433**	4,005
Post-employment benefits	**175**	96
	3,608	4,101

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

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 29 July 2010, Ningxia Saima Industry Co., Ltd. ("Saima Industry"), a non-wholly-owned subsidiary of the Group, entered into a share transfer agreement with the owner of Wuhai City Xishui Cement Co., Ltd. ("Wuhai Xishui Co.") to acquire 45% equity interest of Wuhai Xishui Co. at a consideration of approximately RMB289,298,000.

The acquisition has been completed on 11 August 2010.

(b) On 29 July 2010, Saima Industry, a non-wholly-owned subsidiary of the Group, entered into a share transfer agreement with the owners of Baotou City Xishui Cement Co., Ltd. ("Baotou Xishui Co.") to acquire 45% equity interest of Baotou Xishui Co. at a consideration of approximately RMB86,582,000.

The acquisition has been completed on 6 August 2010.

Definitions

"Anhui Yingpu"	Anhui Yingpu Jinlong Cement Co., Ltd. （安徽瀛浦金龍水泥有限公司）
"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
"Board"	the board of Directors
"Cinda"	China Cinda Asset Management Co., Ltd.(中國信達資產管理股份有限公司), one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Company Limited (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
"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"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jiugang Hongda"	Jiugang Hongda Building Materials Company Limited（酒鋼（集團）宏達建材有限責任公司）
"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
"PRC" or "China"	the People's Republic of China, which for the purposes of this interim report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qilianshan Co."	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)
"Qilianshan Holdings"	Gansu Qilianshan Construction Materials Holdings Ltd. (甘肅祁連山建材控股有限公司), a subsidiary of the Company

Definitions

"Remuneration Committee"	the remuneration committee of the Board
"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
"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 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
"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

SINOMA

中國中材股份有限公司

China National Materials Company Limited