China National Building Material Company Limited *

(Stock Code：3323)

2010 INTERIM REPORT

*For identification only

Financial and Business Highlights

	As at 30 June 2010	As at 31 December 2009
	(RMB in millions)	
Bank balances and cash	**6,261**	3,844
Total assets	**97,088**	77,009
Equity attributable to equity holders of the Company	**13,966**	12,895

	For the six months ended 30 June 2010	2009
	(RMB in millions)	
Revenue	**21,368**	14,081
Profit after taxation	**1,472**	1,099
Profit attributable to equity holders of the Company	**1,070**	851
Net cash flows from operating activities	**1,845**	1,277
Sales volume		
Cement *(in thousand tonnes)*	**49,014**	31,803
Clinker *(in thousand tonnes)*	**21,103**	15,485
Cement and Clinker *(in thousand tonnes)*	**70,117**	47,288
Gypsum board *(in million m^2)*	**264**	197
Revenue from engineering services *(RMB in millions)*	**2,020**	1,239
Rotor blade *(in blade)*	**2,612**	1,644
Glass fiber yarn *(in thousand tonnes)*	**364**	221
Selling price		
Cement sold by China United *(RMB per tonne)*	**210.7**	223.4
Clinker sold by China United *(RMB per tonne)*	**187.5**	185.6
Cement sold by South Cement *(RMB per tonne)*	**219.5**	211.2
Clinker sold by South Cement *(RMB per tonne)*	**196.2**	183.0
Cement sold by North Cement *(RMB per tonne)*	**278.9**	—
Clinker sold by North Cement *(RMB per tonne)*	**213.4**	—
Gypsum board		
— BNBM *(RMB per m^2)*	**6.72**	7.17
— Taishan Gypsum *(RMB per m^2)*	**5.03**	4.98
Rotor blade *(RMB/blade)*	**378,700**	428,471
Analysis of ratios		
Gross profit margin and net profit margin		
Gross profit margin	**19.0%**	19.0%
Net profit margin	**5.0%**	6.0%
Growth rate		
Revenue	**51.7%**	43.3%
Profit attributable to equity holders of the Company	**25.7%**	55.9%
Others		
Return on capital	**7.7%**	7.4%
Earnings per share-basic *(RMB)*	**0.431**	0.352

Contents

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

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

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

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

Corporate Information

DIRECTORS

Executive Directors

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

Non-executive Directors

Cui Lijun
Huang Anzhong
Zuo Fenggao

Independent Non-executive Directors

Zhang Renwei
Zhou Daojiong
Chi Haibin
Li Decheng
Lau Ko Yuen, Tom

Audit Committee

Chi Haibin *(Chairman)*
Zhou Daojiong
Cui Lijun

Remuneration Committee

Zhang Renwei *(Chairman)*
Zhou Daojiong
Song Zhiping

Supervisors

Shen Anqin *(Chairman)*
Zhou Guoping
Cui Shuhong *(Staff Representative Supervisor)*
Liu Zhiping *(Staff Representative Supervisor)*
Liu Chijin *(Independent Supervisor)*
Ma Zhongzhi *(Independent Supervisor)*

Corporate Information

Secretary of the Board	:	Chang Zhangli
Joint Company Secretaries	:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives	:	Song Zhiping Chang Zhangli
Alternate Authorized Representative	:	Lo Yee Har Susan (FCS, FCIS)
Qualified Accountant	:	Pei Hongyan (FCCA)
Registered Address	:	No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Principal Place of Business in the PRC	:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing The PRC
Postal Code	:	100037
Place of Representative Office in Hong Kong	:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers	:	China Construction Bank, Beijing Branch Bank of Communications, Beijing Branch Shanghai Pudong Development Bank, Beijing Branch
PRC Legal Adviser	:	Jingtian & Gongcheng Law Office Level 34, Tower 3, China Central Palace 77 Jianguo Road Chaoyang District Beijing The PRC
Hong Kong Legal Adviser	:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong

Corporate Information

International Auditor	:	UHY Vocation HK CPA Limited 3/F, Malaysia Building 50 Gloucester Road Wanchai Hong Kong
Domestic Auditor	:	Vocation International Certified Public Accountants Co., Ltd. Room 208, Building B of Huatong Mansion No. 19, Chegongzhuang West Road Yi Haidian District, Beijing The PRC
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code	:	3323
Company Website	:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

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

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

Definitions

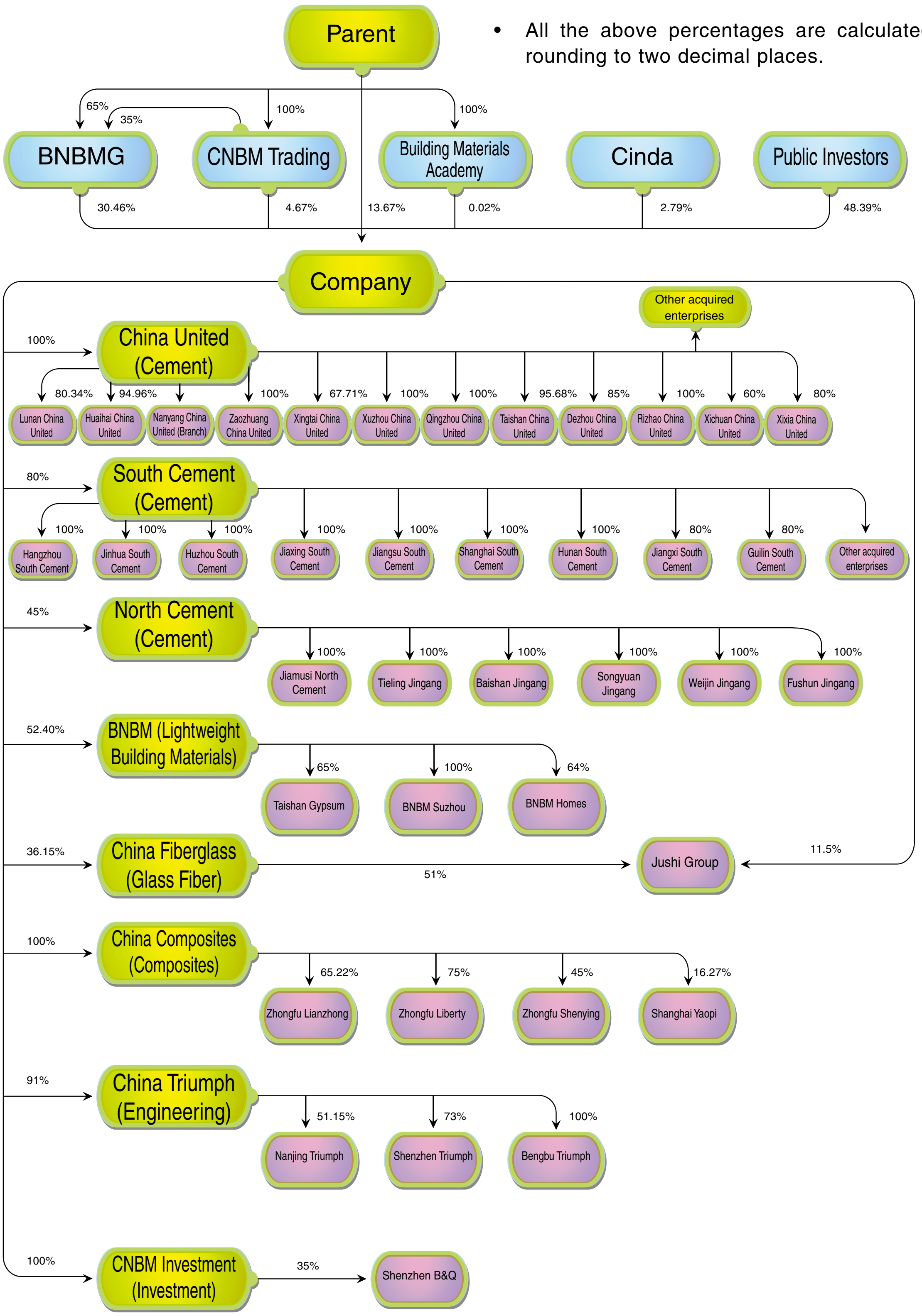
"Four Focuses"	focus on market, management, development and culture
"Group" and "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"H Shares"	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK$
"Huaihai Economic Zone"	Huaihai Economic Zone is an area of approximately 178,100 square kilometers covering 20 municipalities（地級市）located in southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"IFRS"	International Financial Reporting Standards
"Jushi Group"	巨石集團有限公司(Jushi Group Company Limited)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
"North Cement"	北方水泥有限公司(North Cement Company Limited)
"North Region"	the north region of the PRC, including but not limited to Liaoning, Jilin, Heilongjiang and Inner Mongolia
"NSP cement"	cement produced by clinker made through the new suspension preheater dry process
"Parent"	中國建築材料集團有限公司(China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"Reporting Period"	the period from 1 January 2010 to 30 June 2010
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"South Cement"	南方水泥有限公司(South Cement Company Limited)

"Southeast Economic Zone"	the southeast region of the PRC, which includes but is not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan
"Special Cost-saving Program"	for every tonne cement, to save 2 KWh power and 3 kg coal, and save the purchase cost by approximately RMB30 through centralized procurement
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company
"Taishan Gypsum"	泰山石膏股份有限公司(Taishan Gypsum Company Limited)
"Three Five Management Operation Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation and investment decision-making centralization. Five I (five key operation indices), i.e. net profit, selling price and sales volume, cost, cash flow and gearing ratio
"Zhongfu Lianzhong"	連雲港中複連眾複合材料集團有限公司(Lianyungang Zhongfu Lianzhong Composite Material Group Company Limited)
"Zhongfu Shenying"	中複神鷹碳纖維有限公司(Zhongfu Shenying Carbon Fiber Company Limited)

Simplified Shareholding Structure of the Group

The simplified structure of the Group as at 30 June 2010 is set out as below:

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



Financial Highlights

The Group's financial results highlights at 30 June 2010 and 30 June 2009 are as follows:

	For the six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**21,367,814**	14,081,116
Gross profit	**4,064,262**	2,681,100
Profit after taxation	**1,472,423**	1,099,348
Profit attributable to equity holders of the Company	**1,069,801**	850,780
Distribution made to the equity holders of the Company	**173,685**	111,655
Earnings per share — basic *(RMB)*[1]	**0.431**	0.352

Note:

(1) *The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of relevant period and on the weighted average number of 2,416,423,711 shares for the six months ended 30 June 2009 and the weighted average number of 2,481,215,273 shares for the six months ended 30 June 2010.*

	30 June	31 December
	2010	2009
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**97,087,502**	77,009,037
Total liabilities	**77,732,585**	59,493,609
Net assets	**19,354,917**	17,515,428
Minority interests	**5,389,188**	4,620,661
Equity attributable to equity holders of the Company	**13,965,729**	12,894,767
Net assets per share — weighted average *(RMB)*[1]	**5.63**	5.27
Debt to assets ratio[2]	**55.9%**	53.3%
Net debts/equity ratio[3]	**247.8%**	212.2%

Note:

(1) *The calculations of weighted average net assets per share are based on the equity attributable to equity holders of the Company of relevant period and on the weighted average number of 2,449,085,759 shares for 2009 and the weighted average number of 2,481,215,273 shares for the six months ended 30 June 2010.*

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

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

Business Highlights

The major operating data of each segment of the Group as at 30 June 2010 and 30 June 2009 are set out below:

CEMENT SEGMENT

China United

	For the six months ended 30 June	
	2010	2009
Production volume - cement *(in thousand tonnes)*	**16,772.5**	13,055.4
Production volume - clinker *(in thousand tonnes)*	**18,761.8**	14,327.2
Sales volume - cement *(in thousand tonnes)*	**17,094.6**	12,972.8
Sales volume - clinker *(in thousand tonnes)*	**9,067.2**	6,993.0
Unit selling price - cement *(RMB per tonne)*	**210.7**	223.4
Unit selling price - clinker *(RMB per tonne)*	**187.5**	185.6

South Cement

	For the six months ended 30 June	
	2010	2009
Production volume - cement *(in thousand tonnes)*	**29,957.7**	18,941.9
Production volume - clinker *(in thousand tonnes)*	**28,078.0**	21,118.0
Sales volume - cement *(in thousand tonnes)*	**29,840.6**	18,830.2
Sales volume - clinker *(in thousand tonnes)*	**9,842.0**	8,491.7
Unit selling price - cement *(RMB per tonne)*	**219.5**	211.2
Unit selling price - clinker *(RMB per tonne)*	**196.2**	183.0

North Cement

	For the six months ended 30 June	
	2010	2009
Production volume - cement *(in thousand tonnes)*	**2,214.8**	—
Production volume - clinker *(in thousand tonnes)*	**3,356.7**	—
Sales volume - cement *(in thousand tonnes)*	**2,078.8**	—
Sales volume - clinker *(in thousand tonnes)*	**2,193.5**	—
Unit selling price - cement *(RMB per tonne)*	**278.9**	—
Unit selling price - clinker *(RMB per tonne)*	**213.4**	—

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the six months ended 30 June	
	2010	2009
Gypsum boards - BNBM		
Production volume *(in million m^2)*	**38.6**	36.5
Sales volume *(in million m^2)*	**43.0**	34.8
Average unit selling price *(RMB per m^2)*	**6.72**	7.17
Gypsum boards - Taishan Gypsum		
Production volume *(in million m^2)*	**234.0**	161.3
Sales volume *(in million m^2)*	**220.5**	162.0
Average unit selling price *(RMB per m^2)*	**5.03**	4.98
Acoustical ceiling panels - BNBM		
Production volume *(in million m^2)*	**2.9**	2.5
Sales volume *(in million m^2)*	**2.6**	2.3
Average unit selling price *(RMB per m^2)*	**21.7**	21.3
Acoustical ceiling panels - BNBM Suzhou		
Production volume *(in million m^2)*	**1.1**	0.9
Sales volume *(in million m^2)*	**1.2**	0.8
Average unit selling price *(RMB per m^2)*	**15.4**	14.8
Lightweight metal frames		
Production volume *(in thousand tonnes)*	**28.2**	13.5
Sales volume *(in thousand tonnes)*	**28.2**	14.9
Average unit selling price *(RMB per tonne)*	**6,087.3**	6,099.0

Business Highlights

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

	For the six months ended 30 June	
	2010	2009
Rotor blade		
Production volume *(in blades)*	**2,523**	1,806
Sales volume *(in blades)*	**2,612**	1,644
Average unit selling price *(RMB per blade)*	**378,700**	428,471
FRP Products		
Production volume *(in thousand tonnes)*	**7.9**	8.7
Sales volume *(in thousand tonnes)*	**8.1**	9.7
Average unit selling price *(RMB per tonne)*	**22,738.0**	20,991.0
Glass Fiber Mats		
Production volume *(in million m^2)*	**37.7**	36.1
Sales volume *(in million m^2)*	**23.0**	32.7
Average unit selling price *(RMB per m^2)*	**0.97**	0.91

Management Discussion and Analysis

The Group is mainly engaged in cement, lightweight building materials, glass fiber and composite materials and engineering services businesses. Based on the current market positions (in terms of the production capacity as at 30 June 2010), the Group is:

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

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW

In the first half of 2010, with China's continuous efforts in the transformation and structural adjustment of economic development, China's GDP exhibited a growth of 11.1% year-on-year and the country's fixed assets investment grew by 25.0% year-on-year and real estate development investment increased by 38.1% year-on-year. The value added in the first half increased by 20.2% as compared to the same period last year as major products and industries in the building materials sector maintained a steadfast growth following the strong rebound in the second half of last year (Sources: NBSC and the Operation Bureau of the Ministry of Industry and Information Technology (工業和信息化部運行局)).

During the first half of 2010, capitalizing on China's steadily growing economy and rising demand in the building materials industry, the Group sticked to its set development strategy, stepped up its business with emphases as regards to "Four Focuses" and emphasized "substantial clients, lucrative projects and profitable orders". Further, the Group pressed ahead the establishment of core profit-generating regions and synergetic profit-generating regions, intensified and reinforced three major implementations on management integration, specialized management and management trainings, steadily fostered consolidation and restructuring and capital operation with a view to constantly expanding its production capacity and sharpening its competitive edges in the market. Furthermore, various operating indicators of production have continued to improve, demonstrating a sound and rapid development.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT

Review of the cement industry in the PRC in the first half of 2010

Embarking on 2010, taking advantage of a series of policies promulgated by the government which facilitated the healthy development of the cement industry and stepped up the adjustment and control of the industry, the favourable merger and acquisition and restructuring in the cement industry were in full swing and industrial concentration was further accelerated. Total production volume of cement across the nation grew by 17.5% year-on-year to 848 million tonnes during the first half of 2010. Driven by investments in infrastructure construction, urbanization of villages and social welfare housing, the demand for cement was on a strong upsurge whilst economic benefits kept up its steady growth momentum. In the first half of 2010, subject to the influence of the state's macro control and certain industrial policies which capped additional production capacity, cement production industry fixed assets investment fell by 51.6 percentage points year-on-year. (Sources: Department of Industry and Information Technology, China Building Materials Industry Association and Digital Cement)

Review of the Group's cement business in the first half of 2010

In the first half of 2010, the Group attached great importance to the market, price, cost and expenses in the cement business segment. To take advantage of the economies of scale, the Group put great efforts in building up synergistic markets and established, enhanced and expanded the core profit-generating regions and synergetic profit-generating regions, thereby increasing its market shares. The Group continued to propel the consolidation, restructuring and technological renovation in three major strategic regions, namely Huaihai Economic Zone, Southeast Economic Zone and Northern China, which brought a total cement production capacity of 170 million tonnes to the Group. In addition, the Group executed management integration with a focus on "Three Five Management Operation Mode" to centralize management operation and further strengthened the Company's sustainable competitiveness.

For the first half of 2010, sales of cement and clinker of the Group amounted to 70,117 thousand tonnes, representing a growth of 48.3% year-on-year, of which sales of cement and clinker by China United amounted to 26,162 thousand tonnes, representing an increase of 31.0% year-on-year; sales of cement and clinker by South Cement amounted to 39,683 thousand tonnes, representing an increase of 45.3% year-on-year; sales of cement and clinker by North Cement amounted to 4,272 thousand tonnes.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

China United

China United steadily forged ahead the consolidation and restructuring as well as technical renovation in the strategic target regions, including Shandong, Henan, Jiangsu and Inner Mongolia to boost its market share.

Meanwhile, China United proactively implemented management integration with a focus on "Three Five Management Operation Mode", which further nailed down the functions of each layer based on the principle of hierarchical management structure and established a management hierarchy where the headquarter was identified as a profit centre, the operation and management regions were positioned as management centres and its subsidiaries served as the management of cost centres. Currently, three major operating management regions have been well-established in Shandong, Huaihai and Henan. The establishment of operation management regions in Sichuan and Inner Mongolia are planned to occur in the third quarter of 2010. The presence of operation management regions not only realized China United's centralized management of marketing, procurement and production technology in every region, but also cemented a solid foundation for the consolidation and expansion of the core-profit generating regions. Functioning as a cost centre, the company's subsidiaries were primarily responsible for controlling and managing the utilization rate of production capacity, cost, quality and safety. Furthermore, China United actively pressed ahead financial integration to maximize capital efficiency and reduce the cost of capital.

Leveraging on the overall economies of scale and concentrated operation mechanism in respect of procurement, China United gained more bargaining power, effectively reduced procurement cost, and successfully improved production performance by reducing coal and power consumption and enhancing the quality of clinker as a result of strengthened management on production technology and residual heat management.

South Cement

South Cement pushed ahead its consolidation and restructuring as well as technical renovation on a steady course, thereby enhancing its operating efficiency and its control over regional markets and elevated its competitive edges. On the other hand, it had further improved the market synergy mechanism. As a result, a synergetic market, which was dominated by South Cement and some major players in the region, was formed in six regions including Tai Lake surrounding areas, Central and Southern Zhejiang, Shanghai, Fujian-Zhejiang-Jiangxi, Hunan and Jiangxi. Although adversely affected by factors including low season of the market during the Chinese New Year, rainy seasons in Jiangsu, Zhejiang and Shanghai and flooding disasters in Hunan and Jiangxi, South Cement managed to keep cement prices stable in the region through appropriate redeployment of its production capacity. Through enhancement of concentrated marketing management, South Cement largely expanded its market shares in various core regions including Jiaxing, Huzhou and Hangzhou, and thereby has gradually strengthened control over regional markets and increased overall profitability.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

CEMENT SEGMENT *(Continued)*

South Cement *(Continued)*

South Cement practically promoted management integration and further strengthened integrated management. Through optimizing and perfecting management structure by setting up 8 regional companies and a directly controlled company, implementing internal integration featuring concentrated marketing, integrating market layout, market development and price management and simultaneously implementing "Five Cs" management, substantial achievements were made in integrated management. Further, South Cement strengthened benchmark management, put great efforts in management improvement and technology renovation and fully implemented the "Special Program for Cost Control", and thereby effectively facilitated technology and management improvement.

North Cement

While putting great efforts in establishing and improving the operation mechanism, North Cement, adhering to its established development strategy, practically pressed ahead its consolidation and restructuring and accelerated projects in progress.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the lightweight building materials segment of the Group in the first half of 2010

BNBM has further strengthened the construction of marketing channels and has been awarded various major projects by means of market segmentation, exploration of new territories, diversification of distribution channels, addition and optimizing integration of channels and establishment of strategic cooperation with major downstream conglomerates, and as a result expanded its market coverage and market share. In the first half of the year, production and sales volume of gypsum boards maintained its growth momentum with a production volume reaching 273 million square meters, representing a year-on-year increase of 37.8%; sales volume reached 264 million square meters, representing a year-on-year increase of 33.9%. Construction of the gypsum board projects of both BNBM and Taishan Gypsum was pressed ahead at a stable pace as planned.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

Review of the glass fiber and composite materials industry in the PRC in the first half of 2010

Composite materials industry

According to preliminary statistics, 378 major wind power projects have commenced construction in China in 2010. Due to increasing demand for complete set of wind power equipment and the insufficient supply of wind power components such as rotor blades to satisfy demand, the potential of market demand is huge (Source: China FRP Comprehensive Info Net).

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT *(Continued)*

Glass fiber industry

Stepping into 2010, as the global economy regained growth momentum and domestic economy gradually recovered, the production volume of glass fiber in China saw a steady rally. In the first half of the year, production volume of glass fiber yarn in the nation grew on a steady course to 1.25 million tonnes, registering a year-on-year growth of 21.4%. Product selling price rose significantly, export volume and amount demonstrated a growth trend, export market bottomed out gradually, industrial output increased steadily and corporate profitability improved substantially (Source: China Fiberglass Industry Association).

Review of the Group's glass fiber and composite materials segment in the first half of 2010

Composite materials business

In response to the increasing market competition confronting its wind rotor blades business, Zhongfu Lianzhong aggressively developed new markets and strengthened internal management. As such, its production bases in Shenyang, Baotou and Jiuquan had ramped up to their full capacities while the rotor blades business had recorded sustained growth. 2,612 units of rotor blades were sold, representing a year-on-year increase of approximately 58.9% and reflecting its position as a national leader in the rotor blades business. With the 3MW and 3.6MW rotor blades being successfully produced and design project for the technologically world-leading 5MW blades fully commenced, Zhongfu Lianzhong continued to develop new products depending on market needs. During the first half of 2010, Zhongfu Lianzhong had attracted strategic investors with a capital of approximately USD100 million, reducing its gearing ratio whilst facilitating its enterprise development.

Glass fiber business

China Fiberglass accelerated the strategic shift of focus from the overseas product market to the domestic market. In tandem with integrating and nurturing the domestic market, it had grasped the opportunity of a recovering international market to expand its international market extensively. Sales volume had grown by 64.7% over the same period in 2009 along with a sharp increase in price and profit. In an improved economy and warmed market, the Chengdu, Jiujiang and Tongxiang projects had successively commenced production to meet market demands. It had also continued with technological innovation and revamp to maintain its world-leading position in scale of production capacity and technological standards.

INDUSTRY DEVELOPMENT SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering services business segment in the first half of 2010

During the first half of 2010, China Triumph had facilitated the development of its equipment manufacturing platform with its engineering services in the domestic engineering technology market. It had accomplished the quick transformation of the engineering technology market from conventional glass and concrete construction materials to the solar power and photoelectric display industry. Value of newly signed contracts had increased tremendously. In the overseas engineering technology market, through effective measures to ensure quality, construction period and safety, to control costs and to tighten control, cement and float glass engineering projects in various countries and regions such as Vietnam and India had made solid progress. China Triumph, in line with the state policy of industry restructuring and the strategy of developing new energy resources, accelerated research and development of high-end technology and projects such as thin-film solar power and photoelectric glass and achieved preliminary success therein.

OUTLOOK FOR THE SECOND HALF OF 2010

In the second half of 2010, the state will continue with its positive fiscal policy and moderately easy monetary policy to maintain macroeconomic policy consistency and stability. The state will also promote economic restructuring and business shift to maintain steady and fast economic growth. Since the issue of Paper No.38 in 2009, the cement industry's investment in fixed assets had been growing at a slower rate. Into 2010, the state had launched a series of policies to further strengthen control over gross volume, restrict new capacity, phase out obsolete capacity, hasten industry restructuring and enhance energy saving and emission reduction. Recently, the release of the list of cement industry enterprises to be eliminated for reason of backward production capacity and the decision to eliminate more than 100 million obsolete capacity by the end of September by the Ministry of Industry and Information Technology also speeded up the elimination of backward production capacity in various regions of China. The implementation of these policies will improve the balance between demand and supply in the cement industry, raise concentration, facilitate industry consolidation and restructuring and further enhance the profitability of major enterprises. Meanwhile, massive infrastructure construction and accelerated construction of social welfare housing in various regions will maintain steady growth in demand for cement.

In the second half of 2010, the Group aims to follow its set development strategy to capitalize on all kinds of opportunities. It will continue with the "Four Focuses" to steadily foster consolidation and restructuring and capital operation, intensify management integration, strengthen scientific innovation and management of capital expenditure in an endeavor to meet all project targets in 2010.

OUTLOOK FOR THE SECOND HALF OF 2010 *(CONTINUED)*

Cement Segment

To lower cost and enhance profitability, commitment is appropriated to the building-up of synergistic market and core profit regions and efforts in management integration and enhancement is to be deepened. The Group aims at tapping the opportunities for major enterprises brought about by the state policies of new capacity control and elimination of backward capacity, which will transform the mode of economic growth. Steady consolidation and restructuring as well as technical renovation of the three major strategic areas will be steadily pressed ahead to increase market share.

China United

China United aims to enhance its regional marketing management system to improve control over the regional market. China United will integrate regional purchase to strengthen production management, optimize technological and economic indicators and maximize overall economies of scale. China United is committed to promoting management integration and establishing an integrative management system.

South Cement

South Cement targets to further enhance market development and create market synergies, expand sales, raise prices for higher profitability and increase control of regional markets. South Cement aims to implement management integration and stringent cost control to enhance its competitiveness.

North Cement

North Cement will press ahead with consolidation and restructuring, hasten with projects under construction and expand its cement production capacity for a stronger market presence. North Cement is dedicated to enhancing management integration for a lower cost and greater efficiency.

Lightweight Building Materials Segment

The Group will commit fully in management integration and building marketing channels. Besides, the Group targets to accelerate its projects and site selection for a new round of gypsum board projects. The Group is to further technological innovation to bring cost down and enhance core competitiveness.

Glass Fiber and Composite Materials Segment

Composite materials business

The efforts in market development is to be strengthened and project construction of rotor blades of wind power generating units is to be conducted at a faster pace. The product mix will be optimized with localization for materials and equipments to be geared up, whilst strict control over all cost and expenditure is targeted to be applied to increase profitability. The Group will propel its design project for the 5MW rotor blades and actively push forward the construction of Zhongfu Shenying carbon fiber projects to increase production and sales volume of carbon fiber.

Glass fiber business

The Group is to propel internationalization and strengthen management of overseas companies. Domestic distributors will be integrated whilst product restructuring will be consolidated. The Group aims to enhance technological innovation and to promote “revenue increase, expenditure minimisation and consumption reduction” for higher profitability.

OUTLOOK FOR THE SECOND HALF OF 2010 *(CONTINUED)*

Engineering Services Segment

The Group looks to combine industry restructuring with industry upgrade and increase its market presence with new technologies. Leveraging on its glass engineering business, the Group seeks to optimize its cement project contracting system. In the meantime, efforts will be made to quickly expand the engineering technology market for the solar power and photoelectric display industries and to strengthen scientific innovation for core competitiveness enhancement.

FINANCIAL REVIEW

The unaudited revenue of the Group increased by 51.7% from RMB14,081.1 million for the six months ended 30 June 2009 to RMB21,367.8 million for the six months ended 30 June 2010. Unaudited profit attributable to equity holders increased by 25.7% from RMB850.8 million for the six months ended 30 June 2009 to RMB1,069.8 million for the six months ended 30 June 2010.

Revenue

Our revenue for the six months ended 30 June 2010 amounted to RMB21,367.8 million, representing an increase of 51.7% from RMB14,081.1 million for the six months ended 30 June 2009. This is primarily due to an increase of RMB5,428.4 million in revenue from our cement segment, an increase of RMB781.0 million in revenue from our engineering services segment, an increase of RMB529.0 million in revenue from our lightweight building materials segment and an increase of RMB371.7 million in revenue from our glass fiber and composite material segment.

Cost of sales

Our cost of sales for the six months ended 30 June 2010 amounted to RMB17,303.6 million, representing an increase of 51.8% from RMB11,400.0 million for the six months ended 30 June 2009. This is primarily due to an increase of RMB4,247.8 million in cost of sales from our cement segment, an increase of RMB640.8 million in cost of sales of our engineering services segment, an increase of RMB432.7 million in cost of sales from our lightweight building materials segment and an increase of RMB364.2 million in cost of sales from our glass fiber and composite material segment.

Other income

Other income of the Group increased by 19.0% to RMB872.7 million for the six months ended 30 June 2010 from RMB733.1 million for the six months ended 30 June 2009. This is primarily because VAT refund and government grants increased from RMB333.6 million for the six months ended 30 June 2009 to RMB717.9 million for the six months ended 30 June 2010, although such an increase has been partially offset by the decrease of RMB126.9 million in discount on acquisition of interests in subsidiaries and the decrease of RMB172.8 million in the fair value of held-for-trading investments.

FINANCIAL REVIEW *(CONTINUED)*

Selling and distribution costs

Selling and distribution costs increased by 48.5% to RMB815.2 million for the six months ended 30 June 2010 from RMB549.1 million for the six months ended 30 June 2009. This is primarily due to an increase of RMB89.6 million in packaging fees, an increase of RMB62.2 million in transportation costs and an increase of RMB21.6 million in loading costs as a result of the Group's rising sales of major products, coupled with an increase of RMB40.0 million in remuneration for sales staff resulting from a surge of the operating performance of the Group.

Administrative and other expenses

Administrative and other expenses increased by 45.4% to RMB1,196.2 million for the six months ended 30 June 2010 from RMB822.9 million for the six months ended 30 June 2009. This is primarily due to an increase of RMB70.6 million in the salary and allowances of the Group as a result of the increase in the number of staff following the merger and restructuring of subsidiaries, an increase of RMB64.9 million in depreciation and amortization of intangible assets, an increase of RMB33.1 million in administrative expenses such as travelling expenses, an increase of RMB25.7 million in tax, an increase of RMB15.9 million in research and development expenses and an increase of RMB14.8 million in emission fees.

Finance costs

Finance costs increased by 50.2% to RMB1,097.3 million for the six months ended 30 June 2010 from RMB730.7 million for the six months ended 30 June 2009. This is primarily due to our increased borrowings which were required to support the increase in the business volume in each of our four business segments.

Share of profit of associates

The Group's share of profit of associates increased 443.5% to RMB75.3 million for the six months ended 30 June 2010 from RMB13.9 million for the six months ended 30 June 2009. This is primarily due to a significant increase in profit given the significant increase in sales volume and prices of products of our associate companies, China Fiberglass and Jushi Group.

Income tax expense

Income tax expense increased by 90.8% to RMB431.2 million for the six months ended 30 June 2010 from RMB225.9 million for the six months ended 30 June 2009. This is primarily due to the increase in profit before taxation.

Minority interests

Minority interests increased by 62.0% to RMB402.6 million for the six months ended 30 June 2010 from RMB248.6 million for the six months ended 30 June 2009. This is primarily due to the increase in operating profit in each of our business segments.

FINANCIAL REVIEW *(CONTINUED)*

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 25.7% to RMB1,069.8 million for the six months ended 30 June 2010 from RMB850.8 million for the six months ended 30 June 2009. Net profit margin decreased to 5.0% for the six months ended 30 June 2010 from 6.0% for the six months ended 30 June 2009.

China United

Acquisition and addition of new production lines

China United acquired Nanjing China United Cement Company Limited on 1 July 2009, China United Cement Dengzhou Company Limited on 1 January 2010 and China United Cement Wulanchabu Company Limited on 1 April 2010. Operating results of the above three companies were consolidated into the operating results of the Group for the six months ended 30 June 2010, but excluded from the operating results for the six months ended 30 June 2009.

A 4,800t/d clinker production line of Beichuan China United Cement Company Limited, a subsidiary of the Group's subsidiary China United, commenced production in 1 May 2010. Therefore, the operating results of Beichuan China United Cement Company Limited were consolidated into the operating results of the Group for the six months ended 30 June 2010, but excluded from the operating results for the six months ended 30 June 2009.

The following table sets out the aggregate revenue, cost of sales, gross profit and operating profit of the abovementioned four companies for the six months ended 30 June 2010 and their respective contribution to China United.

	RMB in millions	*In China United Total percentage*
Revenue	866.4	16.0
Cost of sales	681.0	15.6
Gross profit	185.4	17.8
Operating profit	178.8	19.6

Save for the reasons stated below, changes in the operating results of China United for the six months ended 30 June 2010 as compared with the six months ended 30 June 2009 were also due to the inclusion of results of the abovementioned newly acquired subsidiaries and other subsidiaries which have commenced operation.

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Revenue

Revenue for China United increased by 26.6% to RMB5,403.1 million for the six months ended 30 June 2010 from RMB4,266.9 million for the six months ended 30 June 2009. This is mainly attributable to an increase in sales volume of cement products, although such an increase has been partially offset by the lower average selling price of cement.

Cost of sales

Cost of sales for China United increased by 29.3% to RMB4,360.8 million for the six months ended 30 June 2010 from RMB3,372.8 million for the six months ended 30 June 2009. This is mainly attributable to the increase in sales volume of cement products and a higher coal price, but was partially offset by the lower other costs such as electricity.

Gross profit and gross profit margin

Gross profit of China United increased by 16.6% to RMB1,042.3 million for the six months ended 30 June 2010 from RMB894.0 million for the six months ended 30 June 2009. Gross profit margin of China United decreased from 21.0% for the six months ended 30 June 2009 to 19.3% for the six months ended 30 June 2010. The decrease in gross profit margin was mainly due to the decrease in the average selling price of cement and the increase in coal price, but was partially offset by the lower other costs such as electricity.

Operating profit

Operating profit for China United increased by 34.9% to RMB913.8 million for the six months ended 30 June 2010 from RMB677.5 million for the six months ended 30 June 2009. Operating profit margin for the segment increased to 16.9% for the six months ended 30 June 2010 from 15.9% for the six months ended 30 June 2009. This is primarily due to the increase in VAT refund and government grants.

South Cement

Acquisition

South Cement acquired many cement companies after 30 June 2009. As at 30 June 2010, 30 additional subsidiaries were merged into South Cement as compared to 30 June 2009. Operating results of the aforesaid 30 companies had been included in the operating results of South Cement for the six months ended 30 June 2010, but excluded in the operating results of South Cement for six months ended 30 June 2009. The following table sets out the aggregate revenue, cost of sales, gross profit and operating results of the aforesaid 30 companies for the six months ended 30 June 2010 and their respective contribution to South Cement.

FINANCIAL REVIEW *(CONTINUED)*

South Cement *(Continued)*

	RMB in millions	*Total percentage in South Cement*
Revenue	2,095.9	23.4
Cost of sales	1,870.3	25.1
Gross profit	225.6	14.9
Operating profit	144.7	12.7

Save for the reasons stated below, changes in the operating results of South Cement for the six months ended 30 June 2010 as compared with the six months ended 30 June 2009 were also due to the inclusion of results of the abovementioned new subsidiaries by the Group.

Revenue

Revenue of South Cement increased by 56.9% to RMB8,953.6 million for the six months ended 30 June 2010 from RMB5,707.4 million for the six months ended 30 June 2009, mainly attributable to an increase in sales volume of cement products and a higher average selling price of cement products.

Cost of sales

Cost of sales of South Cement increased by 48.6% to RMB7,438.0 million for the six months ended 30 June 2010 from RMB5,005.6 million for the six months ended 30 June 2009. This is mainly attributable to the increase in sales volume of cement products and the increase in coal price, but was partially offset by the lower other costs such as electricity.

Gross profit and gross profit margin

Gross profit of South Cement increased by 116.0% to RMB1,515.7 million for the six months ended 30 June 2010 from RMB701.8 million for the six months ended 30 June 2009. Gross profit margin of South Cement increased from 12.3% for the six months ended 30 June 2009 to 16.9% for the six months ended 30 June 2010. This is mainly attributable to the increase in the average selling price of cement products and the decrease in other costs such as electricity, but was partially offset by a higher coal price.

Operating profit

Operating profit of South Cement increased by 108.5% to RMB1,140.0 million for the six months ended 30 June 2010 from RMB546.7 million for the six months ended 30 June 2009. Operating profit margin for the segment increased to 12.7% for the six months ended 30 June 2010 from 9.6% for the six months ended 30 June 2009. This is primarily due to the increased gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

North Cement

Acquisition

As at 30 June 2010, 6 subsidiaries were consolidated under North Cement. North Cement acquired Jiamusi North Cement Company Limited on 1 October 2009, and Jingang (Group) Baishan Cement Company Limited, Liaoyuan Jingang Cement (Group) Songyuan Company Limited, Jingang Cement (Tieling) Company Limited, Liaoyuan Weijin Jingang Cement Company Limited and Fushun Jingang Cement Company Limited on 31 December 2009. Therefore, operating results of the aforesaid 6 subsidiaries had not been included in the operating results for the six months ended 30 June 2009. The following table sets out the revenue, cost, gross profit and operating results of North Cement for the six months ended 30 June 2010 and their respective contribution to the Group.

	RMB in millions	*% of North Cement against the Group's total*
Revenue	1,045.9	4.9
Cost of slaes	827.4	4.8
Gross profit	218.6	5.4
Operating profit	199.5	6.8

Changes in the operating results of North Cement for the six months ended 30 June 2010 as compared with the six months ended 30 June 2009 were due to the inclusion of results of the abovementioned new subsidiaries by the Group.

Lightweight Building Materials Segment

Revenue

Revenue from our lightweight building materials segment increased by 39.1% to RMB1,882.9 million for the six months ended 30 June 2010 from RMB1,353.9 million for the six months ended 30 June 2009. This was mainly attributable to the increase in sales volume of gypsum boards, our main product, although such an increase has been partially offset by a lower average selling price of BNBM gypsum boards.

The table below sets out the revenue from the three major products of the Group's dry wall and ceiling systems for the six months ended 30 June 2009 and for the six months ended 30 June 2010 respectively:

	For the six months ended 30 June		
	2010	2009	Change in period
	(RMB in millions)		*(%)*
Gypsum boards	**1,398.1**	1,056.4	32.3
Acoustical ceiling panels	**74.5**	60.8	22.6
Lightweight metal frames	**171.5**	90.9	88.6
Total	**1,644.1**	1,208.1	36.1

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Cost of sales

Cost of sales from our lightweight building materials segment increased by 44.8% to RMB1,398.9 million for the six months ended 30 June 2010 from RMB966.2 million for the six months ended 30 June 2009. This was mainly due to the increase in sales volume of gypsum boards, our main product, and the increase in prices of raw materials and coal.

The table below sets out the cost of sales for the three major products of the Group's dry wall and ceiling systems for the six months ended 30 June 2009 and for the six months ended 30 June 2010 respectively:

	For the six months ended 30 June		
	2010	2009	Change in period
	(RMB in millions)		*(%)*
Gypsum boards	**977.1**	710.3	37.6
Acoustical ceiling panels	**61.3**	53.5	14.7
Lightweight metal frames	**130.2**	72.0	80.8
Total	**1,168.6**	835.8	39.8

Gross profit and gross profit margin

Gross profit from our lightweight building materials segment increased by 24.8% to RMB484.0 million for the six months ended 30 June 2010 from RMB387.7 million for the six months ended 30 June 2009.

The table below sets out the gross profit from the three major products of the Group's dry wall and ceiling systems for the six months ended 30 June 2009 and the six months ended 30 June 2010 respectively:

	For the six months ended 30 June		
	2010	2009	Change in period
	(RMB in millions)		*(%)*
Gypsum boards	**421.0**	346.1	21.6
Acoustical ceiling panels	**13.2**	7.3	80.1
Lightweight metal frames	**41.3**	18.9	118.4
Total	**475.5**	372.3	27.7

Gross profit margin for our lightweight building materials segment decreased to 25.7% for the six months ended 30 June 2010 from 28.6% for the six months ended 30 June 2009, mainly attributable to the increase in the price of raw materials and coal and a lower average selling price of BNBM gypsum boards.

FINANCIAL REVIEW *(CONTINUED)*

Lightweight Building Materials Segment *(Continued)*

Operating profit

Operating profit from our lightweight building materials segment increased by 24.9% to RMB262.8 million for the six months ended 30 June 2010 from RMB210.3 million for the six months ended 30 June 2009. Operating profit margin of the segment decreased from 15.5% for the six months ended 30 June 2009 to 14.0% for the six months ended 30 June 2010, which was principally due to a decrease in the gross profit margin.

Glass Fiber and Composite Materials Segment

Revenue

Revenue from our glass fiber and composite materials segment increased by 39.3% to RMB1,316.5 million for the six months ended 30 June 2010 from RMB944.8 million for the six months ended 30 June 2009. The increase was primarily due to the increase of RMB397.6 million in revenue from FRP pipes, tanks business and rotor blades, although such an increase has been partially offset by the decrease of RMB7.3 million in revenue from the glass fiber mats business, the decrease of RMB4.5 million in revenue from the shipping business and the decrease of RMB1.7 million in the plastic floor products business.

Cost of sales

The cost of sales for our glass fiber and composite materials segment increased by 58.0% to RMB992.2 million for the six months ended 30 June 2010 from RMB628.0 million for the six months ended 30 June 2009. The increase was primarily due to the increase of RMB389.7 million in the cost of FRP pipes, tanks business and rotor blades, although such an increase has been partially offset by the decrease of RMB7.5 million in cost of the glass fiber mats business, the decrease of RMB5.2 million in the cost of the shipping business and the decrease of RMB1.7 million in the cost of the plastic floor products business.

Gross profit and gross profit margin

Gross profit from our glass fiber and composite materials segment increased by 2.4% to RMB324.4 million for the six months ended 30 June 2010 from RMB316.8 million for the six months ended 30 June 2009. Gross profit margin for our glass fiber and composite materials segment decreased to 24.6% for the six months ended 30 June 2010 from 33.5% for the six months ended 30 June 2009. This was mainly attributable to a lower gross profit margin as a result of the decrease in selling price of rotor blade, our main products.

Operating profit

Operating profit from our glass fiber and composite materials segment decreased by 24.6% to RMB174.4 million for the six months ended 30 June 2010 from RMB231.2 million for the six months ended 30 June 2009. The operating profit margin for the segment decreased to 13.2% for the six months ended 30 June 2010 from 24.5% for the six months ended 30 June 2009. This is primarily due to the decrease in the gross profit margin and the decrease of RMB13.9 million of discount in acquisition of equity interests of a subsidiary.

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment

Revenue

Revenue from our engineering services segment increased by 63.0% to RMB2,020.3 million for the six months ended 30 June 2010 from RMB1,239.3 million for the six months ended 30 June 2009. This is primarily due to the increase in completed construction services in the period.

Cost of sales

Cost of sales for our engineering services segment increased by 70.5% to RMB1,549.4 million for the six months ended 30 June 2010 from RMB908.6 million for the six months ended 30 June 2009. This is primarily due to the increase in completed construction services in the period.

Gross profit and gross profit margin

Gross profit from our engineering services segment increased by 42.4% to RMB470.9 million for the six months ended 30 June 2010 from RMB330.7 million for the six months ended 30 June 2009. This is primarily due to the increase in completed construction services in the period. Gross profit margin for our engineering services segment decreased to 23.3% for the six months ended 30 June 2010 from 26.7% for the six months ended 30 June 2009. This is mainly attributable to the decrease in the gross profit margin of those EPC projects with the most significant contribution to the product portfolio of this segment.

Operating profit

Operating profit from our engineering services segment increased by 31.3% to RMB309.2 million for the six months ended 30 June 2010 from RMB235.4 million for the six months ended 30 June 2009. Operating profit margin for the segment decreased to 15.3% for the six months ended 30 June 2010 from 19.0% for the six months ended 30 June 2009. This is primarily due to the lower gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 30 June 2010, the Group had unused banking facilities of approximately RMB31,542.3 million in total.

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

	As at 30 June 2010	As at 31 December 2009
	(RMB in millions)	
Bank loans	**52,592.1**	39,391.3
Other unsecured borrowings from non-financial institutions	**1,634.4**	1,624.6
Total	**54,226.5**	41,015.9

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

	As at 30 June 2010	As at 31 December 2009
	(RMB in millions)	
Borrowings are repayable as follows:		
Within one year or on demand	**27,334.8**	21,942.9
Between one and two years	**3,996.3**	3,991.6
Between two and three years	**12,628.6**	8,754.5
Between three and five years (inclusive of both years)	**6,228.8**	2,626.9
Over five years	**4,038.0**	3,700.0
Total	**54,226.5**	41,015.9

As at 30 June 2010, bank loans in the total amount of RMB3,228.9 million were secured by assets of the Group with a total value of RMB4,838.5 million.

As at 30 June 2010 and 31 December 2009, we had a debt-to-asset ratio, which is calculated by dividing its consolidated borrowings by its total consolidated assets, of 55.9% and 53.3%, respectively.

Exchange Risks

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

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources *(Continued)*

Contingent Liabilities

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

	As at 30 June 2010	As at 31 December 2009
	(RMB in millions)	
Guarantees given to banks in respect of bank credits used by:		
— former related parties	**13.0**	63.0
— independent third parties	**142.0**	166.0
Total	**155.0**	229.0

Capital Commitments

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

	As at 30 June 2010	As at 31 December 2009
	(RMB in millions)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment (contracted for but no provisions have been made)	**4,220.3**	2,108.7
Capital expenditure of the Company in respect of acquisition of land use rights (contracted for but no provisions have been made)	**—**	27.1
Capital expenditure of the Company in respect of equity acquisition (contracted for but no provisions have been made)	**221.4**	139.4

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources *(Continued)*

Capital Expenditures

The following table sets out our capital expenditures for the six months ended 30 June 2010 by segment:

		For the six months ended 30 June 2010	
		(RMB in millions)	*% of total*
Cement		**3,539.7**	76.7
Among:	China United	**978.2**	21.2
	South Cement	**2,458.7**	53.3
	North Cement	**102.8**	2.2
Lightweight building materials		**764.7**	16.6
Glass fiber and composite materials		**132.7**	2.9
Engineering services		**75.3**	1.6
Others		**101.6**	2.2
Total		**4,614.0**	100.0

Bank Balances and Cash

Our bank balances and cash was RMB3,843.6 million as at 31 December 2009 and RMB6,261.1 million as at 30 June 2010.

Cash Flow from Operating Activities

For the six months ended 30 June 2010, our net cash inflow generated from operating activities was RMB1.844.6 million. Such net cash inflow was primarily due to RMB4,060.7 million of cash flow from operating activities before the change in working capital and an increase of trade and other payables amounting to RMB4,456.7 million, partially offset by a RMB5,117.6 million increase in trade and other receivables and a RMB1,309.7 million increase in inventories.

Cash Flow from Investing Activities

For the six months ended 30 June 2010, our net cash outflow from investing activities was RMB9,294.1 million, which was primarily due to the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB4,379.3 million, and a RMB4,208.2 million decrease in other payment.

Cash Flow from Financing Activities

For the six months ended 30 June 2010, we had a net cash inflow from financing activities amounting to RMB9,875.3 million, primarily attributable to a total of RMB28,453.4 million in new borrowings, partially offset by RMB17,381.4 million for repayment of borrowings.

Significant Events

INTERIM DIVIDEND

The Board did not recommend payment of any interim dividend for the six months ended 30 June 2010.

MATERIAL TRANSACTION

Subscription of A Shares of China Fiberglass by Transferring Equity Interest in Jushi Group

On 6 April 2010, the Company and other parties (being a group of equity holders of Jushi Group holding an aggregate of 37.5% equity interest in Jushi Group) proposed to subscribe for approximately 154.25 million A shares of China Fiberglass, an associate of the Company, of which the Company proposed to subscribe for approximately 36.2 million shares, and in consideration, the Company and the other parties will transfer to China Fiberglass 11.5% and 37.5% equity interests in Jushi Group, respectively.

The transaction had not been completed as at the date of this report.

Details of the transaction were disclosed in the announcement dated 7 April 2010 of the Company.

CONNECTED TRANSACTIONS

1. Continuing Connected Transactions

Particulars of related party transactions are set out in Note 24 to the interim financial statements. For details of connected transactions and relevant exemptions, please see the prospectus of the Company dated 13 March 2006 and the Company's 2005 Annual Report, 2006 Annual Report, 2007 Annual Report, 2008 Annual Report and 2009 Annual Report.

For the six months ended 30 June 2010, the Group's income from its supply of products and services to Parent Group amounted to approximately RMB20.1 million, representing approximately 0.1% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from Parent Group amounted to RMB131.5 million, representing approximately 0.8% of its total cost of sales for the same period.

For the six months ended 30 June 2010, the Group has not generated any income from its supply of products and services to other related parties. The Group's expenses incurred from its receipt of products and services from other related parties amounted to approximately RMB7.1 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2010, the Board of the Company was not aware of any information which would indicate that the Company did not comply with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee"). The Audit Committee of the Company comprises 3 non-executive Directors, including 2 independent non-executive Directors, with appropriate professional qualification or accounting or related financial management experience. The terms of reference adopted by the Audit Committee complied with the requirements of the Code. The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal control and risk management. The Audit Committee has reviewed the 2010 interim report of the Company.

INTERNAL CONTROL

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

In accordance with Code C.2.1, Directors also reviewed the effectiveness of the internal control system of the Company and its subsidiaries, which covered financial control, operation control, compliance control and risk management function control.

MODEL CODE

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

SHARE CAPITAL STRUCTURE (AS AT 30 JUNE 2010)

	Number of shares	**Percentage of issued share capital**
Domestic Shares	1,280,577,054	51.61%
H Shares	1,200,638,219	48.39%
Total share capital	2,481,215,273	100%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

For the six months ended 30 June 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2010.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 62,943 employees.

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

SHARE APPRECIATION RIGHTS PLAN

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

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

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

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

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

As the SA Rights vest at different amounts until the grantee have completed a specified period of service, the Company recognised the services received and a liability of RMB1,438,680 (2009: RMB1,438,680) during the Reporting Period, being the estimated compensation for service rendered by the grantee during the year.

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

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

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

So far as was known to Directors or Supervisors of the Company, as at 30 June 2010, the shareholders (other than the Directors and Supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital(%)[2, 7]	Percentage in total share capital(%)[2, 7]
Parent[1, 6]	Domestic Shares	1,211,360,900[3]	94.59	48.82
BNBMG[1]	Domestic Shares	755,665,178[3]	59.01	30.46
CNBM Trading[1]	Domestic Shares	115,834,375[3]	9.05	4.67
Cinda[6]	Domestic Shares	69,216,154[3]	5.41	2.79
JPMorgan Chase & Co.	H Shares	300,199,160[3]	25.00	12.10
	H Shares	1,429,907[5]	0.12	0.06
	H Shares	147,568,831[4]	12.29	5.95
T. Rowe Price Associates, Inc. and its affiliates	H Shares	88,462,000[3]	7.37	3.57
Atlantis Investment Management Limited	H Shares	72,037,000[3]	5.99	2.90
Liu Yang	H Shares	72,037,000[3]	5.99	2.90
Morgan Stanley	H Shares	61,064,794[3]	5.09	2.46
	H Shares	56,024,566[5]	4.67	2.26
Baillie Gifford & Co	H Shares	60,658,000[3]	5.05	2.44
Callander Alex	H Shares	60,658,000[3]	5.05	2.44
Plowden Charles	H Shares	60,658,000[3]	5.05	2.44
Telfer Andrew	H Shares	60,658,000[3]	5.05	2.44
Warden Alison	H Shares	60,658,000[3]	5.05	2.44
Whitley Sarah	H Shares	60,658,000[3]	5.05	2.44

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

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

Notes:

1. *Of these 1,211,360,900 shares, 339,264,650 shares are directly held by Parent, the remaining 872,096,250 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% of its equity interests, of which 65% is directly held and 35% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to own the shares directly held by BNBMG (755,665,178 shares), CNBM Trading (115,834,375 shares) and Building Materials Academy (596,697 shares).*

2. *As at 30 June 2010, the Company's total issued share capital was 2,481,215,273 shares, comprising 1,280,577,054 Domestic Shares and 1,200,638,219 H Shares.*

3. *Long position.*

4. *Lending pool.*

5. *Short position.*

6. *Pursuant to a share transfer agreement dated 31 December 2009 entered into between Parent and Cinda, Cinda agreed to transfer 49,000,000 Domestic Shares of the Company to Parent ("Transfer of Shares") and consequently, under the SFO, Parent was deemed to own 1,260,360,900 Domestic Shares (representing 98.42% in the Domestic Shares capital and 50.80% in the total share capital) and Cinda was deemed to own 20,216,154 Domestic Shares (representing 1.58% in the Domestic Shares capital and 0.81% in the total share capital). As at 30 June 2010, the formalities in respect of the registration of the Transfer of Shares with China Securities Depository and Clearing Corporation Limited had not yet been completed. As at the date of this report, the formalities in respect of the registration of the Transfer of Shares were still under process and is yet to complete.*

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

Save as disclosed above, as at 30 June 2010, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

(2) Interests and Short Positions of Directors and Supervisors

As at 30 June 2010, as far as the Company is aware, none of the Directors nor Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire shares or debentures of the Company or any of its associated corporations.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 39 to 72, which comprises the condensed consolidated statement of financial position of China National Building Material Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

UHY VOCATION HK CPA LIMITED
Certified Public Accountants

DAVID TZE KIN NG, AUDITOR
Practising Certificate Number P553

23 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	**Six months ended 30 June 2010 RMB'000 (unaudited)**	2009 *RMB'000* (unaudited)
Revenue	3	**21,367,814**	14,081,116
Cost of sales		**(17,303,552)**	(11,400,016)
Gross profit		**4,064,262**	2,681,100
Selling and distribution costs		**(815,213)**	(549,126)
Administrative expenses		**(1,196,188)**	(822,906)
Investment and other income	4	**872,741**	733,109
Finance costs – net	5	**(1,097,293)**	(730,732)
Share of profit of associates		**75,283**	13,852
Profit before income tax	6	**1,903,592**	1,325,297
Income tax expenses	7	**(431,169)**	(225,949)
Profit for the period		**1,472,423**	1,099,348
Attributable to:			
Equity holders of the Company		**1,069,801**	850,780
Non – controlling interests		**402,622**	248,568
		1,472,423	1,099,348
Earnings per share — basic and diluted *(RMB)*	9	**0.431**	0.352

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

		RMB'000 **(unaudited)**	*RMB'000* (unaudited)
Dividends	8	**173,685**	111,655

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	**1,472,423**	1,099,348
Other comprehensive income:		
— Currency translation differences	**(8,404)**	290
Total comprehensive income for the period	**1,464,019**	1,099,638
Total comprehensive income attributable to:		
Equity holders of the Company	**1,061,397**	851,070
Non-controlling interests	**402,622**	248,568
Total comprehensive income for the period	**1,464,019**	1,099,638

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	**30 June 2010 RMB'000 (unaudited)**	31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**43,359,673**	36,589,612
Prepaid lease payments		**5,381,885**	4,706,127
Investment properties		**273,398**	282,815
Goodwill	11	**8,125,308**	7,044,298
Intangible assets		**1,199,443**	983,407
Investments in associates	12	**3,267,549**	2,879,108
Available-for-sale financial assets	15	**140,395**	139,414
Deposits	13	**2,842,889**	3,075,778
Deferred income tax assets		**517,912**	454,802
		65,108,452	56,155,361
Current assets			
Inventories		**6,558,021**	4,741,566
Trade and other receivables	14	**16,640,932**	10,009,431
Held-for-trading investments	15	**299,394**	313,968
Amounts due from related parties	24(c)	**1,243,149**	973,390
Pledged bank deposits	16	**899,812**	971,688
Cash and cash equivalents		**6,261,072**	3,843,633
Assets classified as held for sale	20	**76,670**	—
		31,979,050	20,853,676
Current liabilities			
Trade and other payables	17	**18,638,750**	14,419,297
Amounts due to related parties	24(c)	**536,071**	1,112,354
Borrowings	18	**27,334,778**	21,942,921
Obligations under finance leases		**542,231**	257,055
Current income tax liabilities		**548,077**	582,324
Financial guarantee contracts due within one year		**—**	1,640
Dividend payable to non – controlling interests shareholders		**108,736**	4,379
		47,708,643	38,319,970
Net current liabilities		**(15,729,593)**	(17,466,294)
Total assets less current liabilities		**49,378,859**	38,689,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 30 JUNE 2010

	Note	**30 June 2010** **RMB'000** **(unaudited)**	31 December 2009 *RMB'000* (audited)
Non-current liabilities			
Borrowings	18	**26,891,760**	19,073,005
Deferred income		**167,913**	145,531
Obligations under finance leases		**2,041,619**	1,003,656
Financial guarantee contracts due after one year		**13,140**	13,140
Deferred income tax liabilities		**909,510**	938,307
		30,023,942	21,173,639
Net assets		**19,354,917**	17,515,428
Capital and reserves			
Share capital	19	**2,481,215**	2,481,215
Reserves		**11,484,514**	10,413,552
Capital and reserves attributable to equity holders of the Company		**13,965,729**	12,894,767
Non-controlling interests		**5,389,188**	4,620,661
Total equity		**19,354,917**	17,515,428

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010 (audited)	2,481,215	4,817,043	517,939	379,878	(2,012)	4,700,704	12,894,767	4,620,661	17,515,428
Total comprehensive income for the period	—	—	—	—	(8,404)	1,069,801	1,061,397	402,622	1,464,019
Transactions with owners in their capacity as owners:									
Dividends *(Note 8)*	—	—	—	—	—	(173,685)	(173,685)	—	(173,685)
Dividends paid to the non-controlling interests shareholders of subsidiaries	—	—	—	—	—	—	—	(67,225)	(67,225)
Increase in non-controlling interests as of acquisition of new subsidiaries *(Note 21)*	—	—	—	—	—	—	—	73,964	73,964
Capital contribution from non-controlling interests shareholders of subsidiaries	—	—	164,341	—	—	—	164,341	583,155	747,496
Forfeiture interests from non-controlling interests shareholders of subsidiaries	—	—	8,920	—	—	—	8,920	(19,734)	(10,814)
Decrease in non-controlling interests due to increase in interests in subsidiaries	—	—	9,989	—	—	—	9,989	(204,255)	(194,266)
At 30 June 2010 (unaudited)	2,481,215	4,817,043	701,189	379,878	(10,416)	5,596,820	13,965,729	5,389,188	19,354,917

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009 (audited)	2,208,488	3,265,944	518,222	279,522	(1,862)	2,560,036	8,830,350	3,302,874	12,133,224
Total comprehensive income for the period	—	—	—	—	290	850,780	851,070	248,568	1,099,638
Transaction with owners in their capacity as owners:									
Issue of shares	272,727	1,551,099	—	—	—	—	1,823,826	—	1,823,826
Dividends paid to the non-controlling interests shareholders of subsidiaries	—	—	—	—	—	—	—	(69,159)	(69,159)
Capital contribution from non-controlling interests shareholders of subsidiaries	—	—	—	—	—	—	—	323,654	323,654
Forfeiture interests from non-controlling interests shareholders of subsidiaries	—	—	1,403	—	—	—	1,403	—	1,403
Decrease in non-controlling interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	(24,627)	(24,627)
Share of reserves of associates	—	—	631	—	—	—	631	869	1,500
Movement in statutory reserve	—	—	—	1,177	—	(1,177)	—	—	—
At 30 June 2009 (unaudited)	2,481,215	4,817,043	520,256	280,699	(1,572)	3,409,639	11,507,280	3,782,179	15,289,459

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**1,844,618**	1,277,411
Investing activities		
Purchases of property, plant and equipment	**(4,379,297)**	(2,389,516)
Purchases of intangible assets	**(209,501)**	(58,420)
Payments for prepaid lease payments	**(292,481)**	(94,742)
Proceeds on disposal of property, plant and equipment and investment property	**6,717**	70,137
Acquisition of investments in associates	**(143,000)**	(355,727)
Dividends received from associates	**490**	1,265
Purchase of available-for-sale financial assets	**—**	—
Proceed on disposal of available-for-sale financial assets	**—**	11,485
Dividends from available-for-sale financial assets	**120**	261
Deposits paid	**(2,842,889)**	(707,321)
Deposits refund	**3,075,778**	—
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(343,139)**	(2,763,483)
Payments for acquisition of additional interests in subsidiaries	**(103,664)**	(12,374)
Advances to related parties	**(93,794)**	(513,340)
Decrease in other payment for investing activities	**(4,208,156)**	—
Proceeds from repayment of loans receivables	**420,310**	809,913
Payments for held-for-trading investments	**(9,619)**	—
New loans raised	**(243,814)**	(496,535)
Increase/(decrease) in pledged bank deposits	**71,876**	(722,103)
Net cash used in investing activities	**(9,294,063)**	(7,220,500)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Financing activities		
Interest paid	**(1,173,839)**	(932,868)
Issuance of shares	**—**	1,837,418
Issuance of shares expenses	**—**	(13,592)
Dividends paid to shareholders	**(173,685)**	—
Dividends paid to non-controlling interests shareholders of subsidiaries	**(44,850)**	(50,306)
Repayment of borrowings	**(17,381,442)**	(10,034,269)
Decrease in other payment for financial activities	**(927,173)**	—
New bank borrowings raised	**28,453,580**	16,434,210
Contributions from non-controlling interests shareholders	**693,391**	285,643
Advances from related parties	**—**	101,728
Repayments to related parties	**(376,133)**	—
Repayment of advances from immediate holding company	**(517,700)**	(650,000)
New obligation under finance leases	**1,323,139**	—
Net cash generated from financing activities	**9,875,288**	6,977,964
Net increase in cash and cash equivalents	**2,425,843**	1,034,875
Cash and cash equivalents at 1 January	**3,843,633**	3,726,253
Effect of foreign exchange rate changes	**(8,404)**	290
Cash and cash equivalents at 30 June	**6,261,072**	4,761,418

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial statements has been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Listing Rules and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27 (revised), 'Consolidated and separate financial statements', IAS 28, 'Investment in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Those transactions with no changes in control of subsidiaries, which are under the effect from IAS 27 (revised), have been recorded in the statement of the changes in equity.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRIC — Int 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- IFRIC — Int 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

The adoption of these new interpretations had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required.

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

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

IFRS 7	Financial Instruments: Disclosures "Limited exemption from comparatives for first-time adopters" [2]
IFRS 9	Financial instruments [4]
IAS 24 (revised)	Related party disclosures [3]
IAS 32 (amendments)	Financial instruments: presentation — 'Classification of right issues' [1]
IFRIC — Int 14 (amendments)	IAS 19 — The limit on a defined benefit asset, Minimum funding requirements and their interaction — 'prepayments of a minimum funding requirements' [3]
IFRIC — Int 19	Extinguishing financial liability with equity instruments [2]

1 *Effective for annual periods beginning on or after 1 February 2010*
2 *Effective for annual periods beginning on or after 1 July 2010*
3 *Effective for annual periods beginning on or after 1 January 2011*
4 *Effective for annual periods beginning on or after 1 January 2013*

Further improvements to International Financial Reporting standards were issued in May 2010. The effective dates vary standard by standard.

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

3. SEGMENT INFORMATION

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

Principal activities are as follows:

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

More than 90% of the Group's operations and assets are located in the PRC for the period ended 30 June 2010 and 31 December 2009.

3. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2010

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

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

3. SEGMENT INFORMATION *(Continued)*

As at 30 June 2010 (Continued)

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	5,832,042	68,614,207	4,501,030	3,511,398	1,342,887	—	83,801,564
Investments in associates	188,443	1,537,440	2,188	1,416,956	122,522	—	3,267,549
Unallocated assets							10,018,389
Total consolidated assets (unaudited)							97,087,502
LIABILITIES							
Segment liabilities	853,952	13,932,817	2,125,764	1,298,167	387,485	—	18,598,185
Unallocated liabilities							59,134,400
Total consolidated liabilities (unaudited)							77,732,585

3. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2009

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
INCOME STATEMENT							
Revenue							
External sales	1,353,922	9,971,584	1,239,347	944,825	571,438	—	14,081,116
Inter-segment sales *(Note)*	—	2,691	36,979	—	8,854	(48,524)	—
	1,353,922	9,974,275	1,276,326	944,825	580,292	(48,524)	14,081,116
Adjusted EBITDA (unaudited)	279,164	1,897,887	239,286	262,384	163,096	—	2,841,817
Depreciation and amortisation	(68,815)	(673,387)	(3,863)	(31,024)	(19,289)	288	(796,090)
Unallocated other income							34,048
Unallocated other expenses							(1,000)
Unallocated administrative expenses							(36,598)
Share of profit/(loss) of associates	5,775	9,773	(1,803)	(13,183)	13,290	—	13,852
Finance costs — net							(730,732)
Profit before income tax							1,325,297
Income tax expenses							(225,949)
Profit for the period (unaudited)							1,099,348

3. SEGMENT INFORMATION *(Continued)*

As at 31 December 2009 (Continued)

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and composite materials *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
STATEMENT OF FINANCIAL POSITION							
ASSETS							
Segment assets	5,148,484	55,326,725	2,802,690	2,528,526	1,020,838	—	66,827,263
Investments in associates	190,959	1,236,956	2,188	1,329,890	119,115	—	2,879,108
Unallocated assets							7,302,666
Total consolidated assets (unaudited)							77,009,037
LIABILITIES							
Segment liabilities	685,537	10,528,949	1,512,848	1,110,836	503,873	—	14,342,043
Unallocated liabilities							45,151,566
Total consolidated liabilities (unaudited)							59,493,609

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

3. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Adjusted EBITDA for reportable segments	**4,021,558**	2,678,721
Adjusted EBITDA for other segment	**9,518**	163,096
Total segments	**4,031,076**	2,841,817
Depreciation of property, plant and equipment	**(939,997)**	(730,150)
Amortisation of intangible assets	**(41,272)**	(35,534)
Prepaid lease payments released to the consolidated income statement	**(65,328)**	(30,406)
Corporate items	**(58,877)**	(3,550)
Operating profit	**2,925,602**	2,042,177
Finance costs-net	**(1,097,293)**	(730,732)
Share of profit of associates	**75,283**	13,852
Profit before income tax	**1,903,592**	1,325,297

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other investments income	**5,974**	4,587
Changes in fair value of held-for-trading investments	**(21,804)**	150,967
Financial guarantee income	**1,580**	4,410
Government subsidies		
VAT refunds *(Note a)*	**320,598**	209,435
Government grants *(Note b)*	**397,274**	124,181
Interest subsidy	**15,360**	51
Net rental income	**21,526**	14,430
Technical and other service income	**9,207**	6,858
Discount on acquisition of interests in subsidiaries	**30,847**	157,708
Claims received	**27,543**	10,155
Gain on disposal of property, plant and equipment	**4,404**	2,350
Waiver of payables	**26,944**	44,690
Others	**33,288**	3,287
	872,741	733,109

4. INVESTMENT AND OTHER INCOME *(Continued)*

Notes:

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

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

5. FINANCE COSTS — NET

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowings and other borrowings		
— wholly repayable within five years	**1,199,204**	895,679
— not wholly repayable within five years	**65,930**	21,600
	1,265,134	917,279
Less: Interest capitalised to construction in progress	**116,465**	89,533
	1,148,669	827,746
Interest income	**(51,376)**	(97,014)
Finance costs — net	**1,097,293**	730,732

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment and investment properties	**944,052**	734,934
Amortisation of intangible assets (including administrative expenses)	**41,272**	35,534
Prepaid lease payments released to the consolidated income statement	**65,328**	30,406
Allowance for bad and doubtful debts	**13,545**	1,914
Write-down of inventories	**3,624**	—
Impairment loss on property, plant and equipment	**116,524**	—
Staff costs	**1,112,601**	631,021
Net foreign exchange losses/(gains)	**8,724**	(5,331)

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current income tax	**513,645**	272,663
Deferred income tax	**(82,476)**	(46,714)
	431,169	225,949

PRC income tax is calculated at 25% (2009: 25%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rule and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rate of 15% entitled by the subsidiaries in accordance with relevant tax rules and regulations in the PRC or approvals obtained by the tax bureaus in the PRC.

8. DIVIDENDS

	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Dividends *(Note a)*	**173,685**	111,655

Notes:

(a) During the period, a dividend for 2009 of approximately RMB0.07 (Six months ended 30 June 2009: RMB0.045) per share, amounting to RMB173.69 million (Six months ended 30 June 2009: RMB111.66 million) was announced as the final dividend for the immediate preceding financial year end.

(b) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010.

9. EARNINGS PER SHARE

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

	Six months ended 30 June 2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Profit attributable to equity holders of the Company	**1,069,801**	850,780

	Six months ended 30 June 2010	2009
Weighted average number of ordinary shares in issue	**2,481,215,273**	2,416,423,711

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

10. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2009

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2009 (audited)	3,402,618	9,981,995	13,231,058	285,169	26,900,840
Additions	5,363,153	357,084	400,549	81,190	6,201,976
Acquired on acquisition of subsidiaries	175,397	2,222,460	2,500,297	50,007	4,948,161
Transfer from construction in progress	(4,288,948)	1,449,103	2,834,087	5,758	—
Transfer to construction in progress or reconstruction	853,530	(240,744)	(612,786)	—	—
Disposals	(42,280)	(13,027)	(6,663)	(13,173)	(75,143)
Disposal of subsidiaries	—	—	(341)	—	(341)
Transfer from investment properties	—	7,507	—	—	7,507
Depreciation and impairment	110,137	(443,798)	(1,009,713)	(50,014)	(1,393,388)
Net book value as at 31 December 2009 (audited)	5,573,607	13,320,580	17,336,488	358,937	36,589,612

As at six months ended 30 June 2010

	Construction in progress *RMB'000*	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2010 (audited)	5,573,607	13,320,580	17,336,488	358,937	36,589,612
Additions	3,653,548	283,155	116,447	58,829	4,111,979
Acquired on acquisition of subsidiaries *(Note 21)*	841,101	1,414,290	1,490,114	38,023	3,783,528
Transfer from construction in progress	(2,203,816)	927,805	1,268,594	7,417	—
Transfer to construction in progress or reconstruction	3,114	(521)	(2,593)	—	—
Disposals	(13,151)	(40,769)	(16,332)	(4,034)	(74,286)
Transfer from investment property	—	5,788	—	—	5,788
Depreciation and impairment	(116,524)	(202,473)	(704,342)	(33,609)	(1,056,948)
Net book value as at 30 June 2010 (unaudited)	7,737,879	15,707,855	19,488,376	425,563	43,359,673

11. GOODWILL

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
At the beginning of the period/year	**7,044,298**	4,986,745
Arising from acquisition of		
— subsidiaries *(Note 21)*	**1,081,010**	1,683,357
— additional interests in subsidiaries	**—**	374,196
At the end of the period/year	**8,125,308**	7,044,298

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

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Lightweight building materials	**87,205**	87,205
Cement	**8,003,280**	6,922,270
Engineering services	**62**	62
Glass fiber and composite materials	**15,991**	15,991
Others	**18,770**	18,770
	8,125,308	7,044,298

12. INVESTMENTS IN ASSOCIATES

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Cost of investments in associates		
— listed in the PRC	**156,728**	156,728
— unlisted	**2,018,885**	1,720,215
Share of post-acquisition profit, net of dividend received	**1,091,936**	1,002,165
	3,267,549	2,879,108
Fair value of listed investments	**3,234,873**	3,901,802

As at 30 June 2010, the cost of investments in associates included goodwill of associates of approximately RMB94.41 million (31 December 2009: approximately RMB94.41 million).

13. DEPOSITS

	30 June 2010 *RMB'000* (unaudited)	31 December 2009 *RMB'000* (audited)
Investment deposits for acquisition of subsidiaries	**737,989**	664,215
Investment deposits for acquisition of associates	**—**	140,000
Investment deposits for acquisition of jointly controlled entities	**—**	93,960
Deposits paid to acquire property, plant and equipment	**2,022,732**	2,085,737
Deposits paid to acquire intangible assets	**48,560**	9,952
Deposits paid in respect of prepaid lease payments	**33,608**	81,914
	2,842,889	3,075,778

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

14. TRADE AND OTHER RECEIVABLES

	30 June 2010 *RMB'000* (unaudited)	31 December 2009 *RMB'000* (audited)
Trade receivables, net of allowance for bad and doubtful debts	**5,981,719**	3,028,840
Bills receivable	**1,702,050**	1,154,653
Amounts due from customers for contract work	**797,253**	684,045
Loans receivable	**243,814**	420,310
Other receivables, deposits and prepayments	**7,916,096**	4,721,583
	16,640,932	10,009,431

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

	30 June 2010 *RMB'000* (unaudited)	31 December 2009 *RMB'000* (audited)
Trade receivables		
Within two months	**3,758,780**	1,662,385
More than two months but within one year	**1,774,583**	1,055,455
Between one and two years	**308,792**	240,850
Between two and three years	**94,297**	39,730
Over three years	**45,267**	30,420
	5,981,719	3,028,840

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

15. INVESTMENTS

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Available-for-sale financial assets		
Unlisted equity shares	**140,395**	139,414
Held-for-trading investments at market value:		
Quoted investment funds	**722**	1,324
Quoted listed equity shares	**298,672**	312,644
	299,394	313,968

16. PLEDGED BANK DEPOSITS

As at 30 June 2010, the Group pledged approximately RMB899.81 million (31 December 2009: approximately RMB971.69 million) bank deposits to bankers of the Group to secure the banking borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The pledged bank deposits carry interest at market rates which range from 0.36% to 2.25% (31 December 2009: ranged from 0.36% to 2.25%) per annum.

17. TRADE AND OTHER PAYABLES

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Trade payables	**8,067,230**	5,949,183
Bills payable	**1,960,744**	1,543,164
Amounts due to customers for contract work	**44,088**	86,423
Other payables	**8,566,688**	6,840,527
	18,638,750	14,419,297

The aged analyses of trade payables are as follows:

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Trade payables		
Within two months	**4,731,613**	2,993,903
More than two months but within one year	**2,401,005**	2,074,818
Between one and two years	**586,492**	699,730
Between two and three years	**263,719**	82,174
Over three years	**84,401**	98,558
	8,067,230	5,949,183

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

18. BORROWINGS

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Bank borrowings:		
— Secured *(Note a)*	**3,228,879**	2,411,470
— Unsecured	**49,363,279**	36,979,821
	52,592,158	39,391,291
Bonds	**1,600,000**	1,600,000
Other borrowings from non-financial institutions	**34,380**	24,635
	54,226,538	41,015,926

18. BORROWINGS *(Continued)*

Note:

(a) *The bank borrowings of approximately RMB3,228.88 million (31 December 2009: approximately RMB2,411.47 million) are secured by the following assets of the Group:*

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Property, plant and equipment	**2,974,176**	3,362,441
Prepaid lease payments	**450,542**	637,882
Investment properties	**251,159**	30,000
Mining rights	**177,062**	—
Cash and cash equivalents	**899,812**	971,688
Trade receivables	**85,746**	—
	4,838,497	5,002,011

Analysed for reporting purposes:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Non-current	**26,891,760**	19,073,005
Current	**27,334,778**	21,942,921
	54,226,538	41,015,926

The interest rates of the borrowings are ranging from 2.43% to 6.90% per annum during the period (2009: 3.42% to 6.45%).

19. SHARE CAPITAL

	Domestic Shares *(Note (a))*		H Shares *(Note (b))*		
	Number of shares	Amount *RMB'000*	Number of shares	Amount *RMB'000*	Total capital *RMB'000*
Registered shares of RMB1.0 each					
As at 1 January 2009	1,306,404,813	1,306,405	902,083,187	902,083	2,208,488
Issuance of new H shares	—	—	272,727,273	272,727	272,727
Conversion of Domestic shares into H shares	(25,827,759)	(25,828)	25,827,759	25,828	—
As at 31 December 2009, 1 January 2010 and 30 June 2010	1,280,577,054	1,280,577	1,200,638,219	1,200,638	2,481,215

Notes:

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

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

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

20. ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2009, China National Building Material Group Corporation (the "Parent") and Residential Construction Service Centre for Civil Servants of the Central Government Departments entered into the Land Transfer Agreement in Beijing in accordance with the overall urban development requirements as set out by the Beijing government. Pursuant to the Land Agreement, the Parent will procure the transfer of the governmental land use rights of the entire land parcel ("Target Land Parcel") — No.16, Jian Cai Cheung West Road, Xi San Qi, Haidian District, Beijing to the Residential Construction Service Centre of Central Government as part of government planning. The target land parcel, which was once served as the Company's headquarter office and stations for several production lines (also known as "Xi San Qi Beijing Operation Base"), will be constructed as services centres for staff of central government departments.

Upon the signing of the Land Agreement in relation to the subject property, the Parent has already implemented plans to relocate the facilities situated in Xi San Qi area in Beijing according to the Company's business development strategies and the National proposal in relation to the construction of gypsum manufacturing plaster. The relocation is still in progress.

20. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The equipments related to Xi San Qi Beijing Operation Base have been presented as held for sale following shareholders' approval of the decision to dispose of this operation. The completion date for the transaction is expected to be within 1 year. Owing to the nature of Land Transfer transaction, the value of land use right respective to the subject property has not been included in the assets as held for sale. However, Xi San Qi Beijing Operation Base is not a discontinued operation at 30 June 2010, as it does not represent a major line of business.

The major assets of the BJ Xi San Qi Operation Base is as follows:

Assets classified as held for sale:

	30 June 2010 *RMB'000*
– plant and equipment	76,670

21. ACQUISITION OF SUBSIDIARIES

IFRS 3 (revised) was applied to the acquisitions by the Group for the period. During the period, the Group acquired subsidiaries from independent third parties. The acquired subsidiaries are principally engaged in the production and sale of cement.

These acquisitions have been accounted for using the purchase method.

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

	Acquirees' carrying amounts before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment *(Note10)*	3,467,532	315,996	3,783,528
Intangible assets	37,356	15,430	52,786
Investments in associates	980	—	980
Prepaid lease payments	231,168	255,009	486,177
Deferred income tax assets	156,039	—	156,039
Inventories	506,775	—	506,775
Trade and other receivables	903,696	—	903,696
Amounts due from the related parties	250,482	—	250,482
Held-for-trading investment	523	—	523
Cash and cash equivalent	477,478	—	477,478
Trade and other payables	(3,372,125)	—	(3,372,125)
Amounts due to the related parties	(199,277)	—	(199,277)
Borrowings	(2,138,474)	—	(2,138,474)
Deferred income tax liabilities	(6)	(146,608)	(146,614)
Net assets	322,147	439,827	761,974

21. ACQUISITION OF SUBSIDIARIES *(Continued)*

The acquisition — related costs of approximately RMB4.05 million have been recognised in the consolidated income statement. These would previously have been included in the consideration for the business combination.

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

	Fair value *RMB'000*
Net assets acquired	761,974
Non-controlling interests	(73,964)
Discount on acquisition of interest in subsidiaries	(30,847)
Goodwill *(Note 11)*	1,081,010
Total consideration	1,738,173

	2010 *RMB'000*
Total consideration satisfied by:	
Cash	809,520
Other payables	928,653
	1,738,173
Net cash outflow arising on acquisition:	
Cash consideration paid	(809,520)
Less: Cash and cash equivalents acquired	477,478
	(332,042)

The non-controlling interests are measured at the value of its proportionate share of the recognised amount of net assets acquired at the acquisition date. The fair values of the property, plant and equipment, intangible assets and prepaid lease payments acquired at the acquisition date have been determined on a provisional basis, awaiting the receipt of professional valuations.

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

Approximately RMB60.56 million is included in the profit for the period which is attributable by these newly acquired cement companies. Had these business combinations been effected at 1 January 2010, the revenue of the Group would be approximately RMB21,709.07 million, and profit for the period of the Group would be approximately RMB1,471.78 million. The directors of the Group consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

22. COMMITMENTS

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Capital expenditure of the Group contracted for but not provided in the conslidated financial statements in respect of:		
— Acquisition of property, plant and equipment	**4,220,333**	2,108,663
— Acquisition of prepaid lease commitments	**—**	27,100
— Acquisition of subsidiaries	**221,427**	139,423

23. CONTINGENT LIABILITIES

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

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Guarantees given to banks in respect of banking facilities utilised by:		
— former related parties	**13,000**	63,000
— independent third parties	**142,000**	166,000
	155,000	229,000

24. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2010, the Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests shareholders of the Company's subsidiaries:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Provision of production supplies to		
— the Parent Group	**11,352**	17,071
— Associates	**—**	1,339
— Non-controlling interests shareholders of subsidiaries	**—**	134
	11,352	18,544
Provision of support services to the Parent Group	**4,801**	300
Rental income in respect of supply of equipment to the Parent Group	**3,991**	1,855
Rental income received from associate	**9,325**	9,676
Interest expenses paid to non-controlling interests shareholders of subsidiaries	**776**	—
Interest income received from associates	**2,136**	—

24. RELATED PARTY TRANSACTIONS *(Continued)*

(a) During the six months ended 30 June 2010, the Group entered into the following transactions with China National Building Material Group Corporation (the "Parent") and its subsidiaries collectively (the "Parent Group"), the associates of the Group and the non-controlling interests shareholders of the Company's subsidiaries: *(Continued)*

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Supply of raw material by		
— the Parent Group	**55,289**	53,029
— Associates	**1,403**	42,576
— Non-controlling interests shareholders of subsidiaries	**5,136**	8,208
	61,828	103,813
Provision of production supplies by		
— the Parent Group	**49,930**	3,704
— Non-controlling interests shareholders of subsidiaries	**1,928**	—
	51,858	3,704
Provision of support services by the Parent Group	**1,602**	3,339
Rendering of engineering services by the Parent Group	**—**	528
Rental expenses paid to the Parent Group	**—**	327
Supplying of equipment by the Parent Group	**24,655**	16,617

24. RELATED PARTY TRANSACTIONS *(Continued)*

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

The Group operates in an economic environment currently, predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group, the associates of the Group and the non-controlling interests shareholders of the subsidiaries are hereinafter collectively referred to as "state-controlled enterprises"). During the six months ended 30 June 2010, the Group had material transactions with some of these state-controlled enterprises in its ordinary and usual course of business. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a state-controlled enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

While the directors of the Company consider state-controlled enterprises are independent third parties so far as the Group's business transactions with them are concerned, for the purpose of the interim financial report, the Group has identified the nature and quantified the amounts of its material transactions with state-controlled enterprises during the six months ended 30 June 2010 as follows:

(i) Material transactions

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales	**658,903**	305,156
Purchases	**532,597**	956,772
Finance costs	**1,148,669**	827,746

ii) Material balances

	30 June	31 December
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade and other receivables	**401,960**	255,999
Trade and other payables	**473,994**	235,434

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

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

24. RELATED PARTY TRANSACTIONS *(Continued)*

(c) As at 30 June 2010, the Group has the following amounts due from and to related parties

	30 June 2010 *RMB'000* **(unaudited)**	31 December 2009 *RMB'000* (audited)
Amounts due from related parties		
Trading in nature:		
Fellow subsidiaries	**668,777**	596,928
Associates	**5,951**	5,837
Immediate holding company	**20,000**	—
Non-controlling interests shareholders of subsidiaries	**120,128**	36,927
	814,856	639,692
Non-trading in nature:		
Fellow subsidiaries	**1,411**	106,466
Associates	**101,065**	107,269
Immediate holding company	**800**	—
Non-controlling interests shareholders of subsidiaries	**325,017**	119,963
	428,293	333,698
	1,243,149	973,390
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**147,325**	81,448
Associates	**18,874**	17,770
Immediate holding company	**25,200**	—
Non-controlling interests shareholders of subsidiaries	**65,851**	35,359
	257,250	134,577
Non-trading in nature:		
Fellow subsidiaries	**12,423**	290,435
Associate	**1,166**	—
Immediate holding company	**57,900**	580,000
Non-controlling interests shareholders of subsidiaries	**207,332**	107,342
	278,821	977,777
	536,071	1,112,354

24. RELATED PARTY TRANSACTIONS *(Continued)*

(c) As at 30 June 2010, the Group has the following amounts due from and to related parties *(Continued)*

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

As at 30 June 2010, amounts due from related parties of approximately RMB94.76 million (31 December 2009 : approximately RMB92.12 million) carry the variable loan interest rate stipulated by the banks for the corresponding period at rate of 5.31% (31 December 2009 : 5.31%) per annum and approximately RMB53.88 million (31 December 2009 : approximately RMB4.38 million) carry fixed interest rate ranging from 2.8% to 10% (31 December 2009 : 10%) per annum. The remaining balances of amounts due from related parties are interest–free.

As at 30 June 2010, amounts due to related parties of approximately RMB37.52 million (31 December 2009 : approximately RMB41.80 million) carry the variable interests stipulated by the banks for the corresponding period at rate of 5.31% (31 December 2009 : 5.31%) per annum. The remaining balances of amounts due to related parties are interest–free.

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2010 are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**8,309**	6,438
Post - employment benefits	**74**	57
	8,383	6,495

25. EVENTS OCCURING AFTER THE REPORTING DATE

There is no significant event occurring after the reporting date.

26. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements set out on pages 39 to 72 have been approved and authorised for issue by the Board of Directors on 23 August 2010.