



Independent Review Report

Deloitte. 德勤

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 been instructed by the Company to review the interim financial report set out on pages 34 to 58.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards ("SAS") 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the interim financial report based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the comparative condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2006

Interim Financial Report

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
		2006	2005
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	2,703,484	1,886,360
Cost of sales		(2,203,431)	(1,570,805)
Gross profit		500,053	315,555
Other income	4	191,358	85,243
Selling and distribution costs		(148,370)	(129,275)
Administrative expenses		(170,338)	(126,660)
Other expenses		(4,367)	(5,771)
Share of profit of associates		23,112	40,121
Finance costs	5	(107,604)	(57,020)
Loss arising from share conversion schemes of:			
a subsidiary	6	(202,624)	—
an associate	7	(11,210)	—
Profit before tax	8	70,010	122,193
Income tax expense	9	(8,034)	(11,344)
Profit for the period		61,976	110,849
Attributable to:			
Equity holders of the Company		(2,277)	86,347
Minority interests		64,253	24,502
Profit for the period		61,976	110,849
Dividends	10	80,382	135,637
		RMB	RMB
(Loss) earnings per share – Basic	11	(0.001)	0.062

Interim Financial Report



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	NOTES	30.6.2006 RMB'000 (unaudited)	31.12.2005 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	6,295,337	4,792,093
Investment properties		277,107	268,644
Goodwill	13	219,849	56,202
Intangible assets	14	33,478	22,409
Interests in associates		875,116	864,159
Available-for-sale investments		51,999	51,543
Deposits		29,125	31,928
Pledged bank deposits	15	23,501	—
Land use rights	16	419,843	306,182
Deferred tax assets	17	31,573	6,850
		8,256,928	6,400,010
Current assets			
Inventories		814,812	721,552
Trade and other receivables	18	1,921,921	1,437,668
Held-for-trading investments	19	29,140	15,383
Amounts due from related parties	27	129,852	152,764
Pledged bank deposits	15	583,486	52,542
Bank balances and cash		1,707,762	932,580
		5,186,973	3,312,489
Current liabilities			
Trade and other payables	20	2,664,671	1,820,021
Amounts due to related parties	27	78,233	133,587
Borrowings – due within one year	21	3,589,528	3,231,996
Income tax payable		31,153	21,776
Dividend payable		62,300	69,237
		6,425,885	5,276,617
Net current liabilities		(1,238,912)	(1,964,128)
Total assets less current liabilities		7,018,016	4,435,882
Non-current liabilities			
Borrowings – due after one year	21	1,630,175	1,004,610
Deferred tax liabilities	17	48,977	—
Deferred income		4,059	4,339
		1,683,211	1,008,949
Net assets		5,334,805	3,426,933

Interim Financial Report

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2006

	NOTES	30.6.2006 RMB'000 (unaudited)	31.12.2005 RMB'000 (audited)
Capital and reserves			
Share capital	22	2,071,700	1,387,760
Reserves/shareholders' equity		1,801,298	724,478
Equity attributable to equity holders of the Company		3,872,998	2,112,238
Minority interests		1,461,807	1,314,695
Total equity		5,334,805	3,426,933

Interim Financial Report



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Statutory welfare fund RMB'000	Exchange reserve RMB'000	Retained earnings/ shareholder's equity RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	1,387,760	350	387,401	28,719	28,719	(1,082)	280,371	2,112,238	1,314,695	3,426,933
Exchange differences arising on translation of overseas operations directly recognised in equity	—	—	—	—	—	1,537	—	1,537	—	1,537
(Loss) profit for the period	—	—	—	—	—	—	(2,277)	(2,277)	64,253	61,976
Total recognised income and expenses	—	—	—	—	—	1,537	(2,277)	(740)	64,253	63,513
Shareholders' contribution (note 6)	—	—	87,381	—	—	—	—	87,381	—	87,381
Forfeiture of dividends from minority shareholders of a subsidiary	—	—	405	—	—	—	—	405	519	924
Issue of shares	683,940	1,258,210	—	—	—	—	—	1,942,150	—	1,942,150
Share issue expenses	—	(188,054)	—	—	—	—	—	(188,054)	—	(188,054)
Dividends	—	—	—	—	—	—	(80,382)	(80,382)	—	(80,382)
Dividends paid to the minority shareholders by subsidiaries	—	—	—	—	—	—	—	—	(26,115)	(26,115)
Increase in minority interests as a result of a share conversion scheme of a subsidiary (note 6)	—	—	—	—	—	—	—	—	115,243	115,243
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(5,877)	(5,877)
Decrease in minority interests as a result of disposal of subsidiaries	—	—	—	—	—	—	—	—	(911)	(911)
At 30 June 2006	2,071,700	1,070,506	475,187	28,719	28,719	455	197,712	3,872,998	1,461,807	5,334,805
At 1 January 2005	—	—	—	—	—	—	1,888,618	1,888,618	1,077,395	2,966,013
Exchange differences arising on translation of overseas operations directly recognised in equity	—	—	—	—	—	1,845	—	1,845	—	1,845
Profit for the period	—	—	—	—	—	—	86,347	86,347	24,502	110,849
Total recognised income and expenses	—	—	—	—	—	1,845	86,347	88,192	24,502	112,694

Interim Financial Report

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Statutory welfare fund RMB'000	Exchange reserve RMB'000	Retained earnings/ shareholder's equity RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
Shareholders' contribution	—	—	—	—	—	—	8,234	8,234	—	8,234
Conversion as a joint stock company	1,387,110	—	387,401	—	—	—	(1,774,511)	—	—	—
Issue of shares	650	350	—	—	—	—	—	1,000	—	1,000
Dividends	—	—	—	—	—	—	(135,637)	(135,637)	—	(135,637)
Dividends paid to the minority shareholders by subsidiaries	—	—	—	—	—	—	—	—	(15,408)	(15,408)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	10,139	10,139
Increase in minority interests as a result of acquisition of subsidiaries	—	—	—	—	—	—	—	—	219,565	219,565
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	—	(84,362)	(84,362)
Decrease in minority interests as a result of disposal of subsidiaries	—	—	—	—	—	—	—	—	(7,638)	(7,638)
At 30 June 2005	1,387,760	350	387,401	—	—	1,845	73,051	1,850,407	1,224,193	3,074,600

Interim Financial Report



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended 30 June	
		2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Net cash from operating activities		162,545	71,387
Investing activities			
Purchases of investments		(511)	(1,500)
Purchases of property, plant and equipment		(427,257)	(639,844)
Payments for land use rights		(21,746)	(9,137)
Acquisition of interests in associates		(18,813)	—
Dividend received from associates		17,230	27,281
Payments for acquisition of additional interests in subsidiaries		(8,939)	(13,516)
Increase in pledged bank deposits		(554,445)	(39,318)
Acquisition of a subsidiary	23	(479,352)	88,369
Other investing activities		(193)	48
Net cash used in investing activities		(1,494,026)	(587,617)
Financing activities			
Issue of shares		1,942,150	1,000
Share issue expense		(188,054)	—
Dividend paid to shareholders		(87,319)	—
Dividend paid to minority shareholders by subsidiaries		(26,457)	(15,408)
Contribution from minority shareholders		—	10,139
Repayments of borrowings		(2,892,620)	(1,358,886)
New borrowings raised		3,357,427	1,886,320
Net cash from financing activities		2,105,127	523,165
Net increase in cash and cash equivalents		773,646	6,935
Effect of foreign exchange rate changes		1,536	1,845
Cash and cash equivalents, at beginning of period		932,580	826,332
Cash and cash equivalents, at end of the period			
Bank balance and cash		1,707,762	835,112

Interim Financial Report

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standard Board (“IASB”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the “new IFRSs”) issued by the IASB and the International Financial Reporting Interpretations Committee that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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

Interim Financial Report



3. SEGMENT INFORMATION

The Group's revenue and contribution to profit before tax, analysed by business segments (primary segments), are as follows:

	Revenue		Contribution to segment results and profit before tax	
	Six months ended 30 June 2006	2005	Six months ended 30 June 2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results				
Lightweight building materials	1,254,166	993,908	140,442	52,045
Cement	815,863	499,852	88,000	53,026
Engineering services	535,228	280,387	65,249	18,364
Glass fiber and FRP products	137,682	142,670	16,607	15,724
Eliminations (<i>note a</i>)	(39,455)	(30,457)	(4,476)	(3,949)
	2,703,484	1,886,360	305,822	135,210
Interest income			78,379	7,374
Unallocated corporate expenses			(15,865)	(3,492)
Share of profit of associates (<i>note b</i>)			23,112	40,121
Finance costs			(107,604)	(57,020)
Loss arising from share conversion schemes of:				
a subsidiary			(202,624)	—
an associate			(11,210)	—
Profit before tax			70,010	122,193

Notes:

- (a) The inter-segment sales were carried out with reference to market prices.
- (b) The share of profit (loss) of associates is further analysed by business segments as follows:

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Lightweight building materials	11,041	9,293
Engineering services	1,610	(991)
Glass fiber and FRP products	10,461	31,819
	23,112	40,121

Interim Financial Report

4. OTHER INCOME

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest income (note)	78,379	7,374
Government subsidies	58,329	29,971
Technical and other service income	12,366	22,405
Promotion fee	—	6,979
Net rental income	12,836	6,276
Change in fair value of held-for-trading investments	6,610	—
Other investment income	660	334
Others	22,178	11,904
	191,358	85,243

Note: Included in interest income for the six months ended 30 June 2006 is an amount of approximately RMB56,701,000 arising from over-subscription of public offering of Company's shares.

5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest on bank borrowings		
wholly repayable within five years	122,353	88,429
Less: interest capitalised to construction in progress	(14,749)	(31,409)
	107,604	57,020

6. LOSS ARISING FROM SHARE CONVERSION SCHEME OF A SUBSIDIARY

On 16 June 2006, the shareholders of Beijing New Building Material Company Limited ("BNBM"), a subsidiary of the Company, approved a share conversion scheme. Pursuant to the approved share conversion scheme, each shareholder of BNBM, other than the Company, received two non-tradable shares and cash of RMB3.83 from the Company for every ten tradable shares they held in BNBM in exchange for their permission to transfer the non-tradable shares held by the Company into tradable shares. The amount payable by the Company of approximately RMB87,381,000 was borne by China National Building Material Group Corporation (the "Parent"). The number of non-tradable shares transferred by the Company amounted to 45,630,000 shares and the Company's equity interests in BNBM were diluted from 60.33% to 52.40%. The approved share conversion scheme was completed during the six months ended 30 June 2006. The dilution of the Company's equity interests in BNBM resulted in a decrease of RMB115,243,000 in the Company's share of net assets in BNBM. This decrease of RMB115,243,000 together with the cash payment obligation of the Company under the approved share conversion scheme of RMB87,381,000, amounting to RMB202,624,000 in aggregate, was recognised as a loss in the consolidated income statement for the six months ended 30 June 2006 and the payment by the Parent of RMB87,381,000 was recognised as capital contribution to the Company in the capital reserve on the consolidated balance sheet at 30 June 2006.

Interim Financial Report



7. LOSS ARISING FROM SHARE CONVERSION SCHEME OF AN ASSOCIATE

On 22 December 2005, the shareholders of Shanghai Yaohua Pilkington Glass Co., Ltd. ("Yaohua"), an associate of the Company, approved a share conversion scheme. Pursuant to the approved share conversion scheme, each shareholder of Yaohua, other than the Company and other holders of non-tradable shares (collectively "Yaohua Offerors"), received seven non-tradable shares from the Company for every twenty tradable shares they held in Yaohua in exchange for their permission to transfer the non-tradable shares held by the Yaohua Offerors into tradable shares. The number of non-tradable shares transferred by the Company amounted to 4,101,569 shares and the Company's equity interests in Yaohua were diluted from 16.70% to 16.14%. The approved share conversion scheme was completed during the six months ended 30 June 2006. The dilution of the Company's equity interests in Yaohua resulted in a loss of RMB11,210,000 and was recognised in the consolidated income statement for the six months ended 30 June 2006.

8. PROFIT BEFORE TAX

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Depreciation of property, plant and equipment and investment properties	133,736	89,102
Amortisation of intangible expenses included in administrative expenses	1,565	1,053
Land use rights released to income	3,943	3,124
Share of income tax of associates included in the share of profit of associates	16,857	13,073

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
The tax charge (credit) comprises:		
Current PRC income tax	32,757	14,995
Deferred income tax (note 17)	(24,723)	(3,651)
	8,034	11,344

PRC income tax is calculated at preferential tax rates of 15% of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulation in the PRC for both periods, except for certain subsidiaries of the Company, which are exempted or subject to the statutory rate of 33% in accordance with relevant tax rules and regulation in the PRC.

Interim Financial Report

10. DIVIDENDS

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Special dividend declared (note a)	—	135,637
Final dividend declared (note b)	80,382	—
	80,382	135,637

Notes:

- (a) The dividend was declared on 28 March 2005 to the then shareholders of the Company pursuant to certain regulations in the PRC. Details of the dividend paid was set out in the 2005 annual report of the Company.
- The rates of dividend and the number of shares ranking for dividends are not presented for the profit distribution as such information is not considered to be meaningful.
- (b) During the period, a dividend of RMB0.0388 (Six months ended 30 June 2005: nil) per share, amounting to RMB80,382,000 (Six months ended 30 June 2005: nil) was paid to shareholders as the final dividend for the immediate preceding financial year end.
- (c) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share	(2,277)	86,347

	Six months ended 30 June	
	2006	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,769,406,077	1,387,451,160

The basic earnings per share for the six months ended 30 June 2005 is computed on the assumption that the restructuring for purpose of listing of Company's foreign shares subscribed for and traded in Hong Kong dollars by legal persons other than those of the PRC ("H Shares") had been completed as at 1 January 2005.

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

Interim Financial Report



12. PROPERTY, PLANT AND EQUIPMENT

Other than the property, plant and equipment of RMB1,165,389,000 acquired through the acquisition of subsidiaries as set out in note 23, the Group expended RMB434,178,000 in construction in progress, RMB20,158,000 in land and buildings, RMB19,012,000 in plant and machinery and RMB9,148,000 in motor vehicles during the six months ended 30 June 2006.

13. GOODWILL

	<i>RMB'000</i>
Balance at 1 January 2006	56,202
Arising from:	
Acquisition of subsidiaries (<i>note 23</i>)	160,585
Acquisition of additional interests in a subsidiary	3,062
Balance at 30 June 2006	219,849

14. INTANGIBLE ASSETS

	<i>RMB'000</i>
Balance at 1 January 2006	22,409
Additions during the period	862
Acquisition of subsidiaries (<i>note 23</i>)	11,772
Amortisation during the period	(1,565)
Balance at 30 June 2006	33,478

The intangible assets represent the patents and trademarks acquired by the Group.

15. PLEDGED BANK DEPOSITS

As at 30 June 2006, the Group pledged RMB606,987,000 (31 December 2005: RMB52,542,000) to bankers of the Group to secure the banking facilities granted to the Group, of which RMB23,501,000 (31 December 2005: Nil) was pledged to secure bank borrowings due over one year and the RMB583,486,000 (31 December 2005: RMB52,542,000) was pledged to secure bank borrowings due within one year and other short term facilities granted by the bankers.

Interim Financial Report

16. LAND USE RIGHTS

	<i>RMB'000</i>	
Balance at 1 January 2006		313,317
Additions during the period		21,746
Acquisition of subsidiaries (<i>note 23</i>)		97,873
Released to income statement		(3,943)
Balance at 30 June 2006		428,993
Classification for reporting purpose:		
	30.6.2006 <i>RMB'000</i>	31.12.2005 <i>RMB'000</i>
Non-current assets	419,843	306,182
Current assets included in trade and other receivables	9,150	7,135
	428,993	313,317

Interim Financial Report



17. DEFERRED TAX

The movements of deferred tax (assets) liabilities during the six months ended 30 June 2006 are summarised as follows:

	Fair value adjustments on acquisition of subsidiaries RMB'000	Loss on partial disposal of a subsidiary RMB'000 (note)	Allowances on inventories and trade and other receivables RMB'000	Tax losses RMB'000	Total RMB'000
Balance at 1 January 2006	—	—	(6,850)	—	(6,850)
Arising from acquisition of a subsidiary (note 23)	48,977	—	—	—	48,977
Charge (credit) to the income statement during the period	—	(17,231)	(4,158)	(3,334)	(24,723)
Balance at 31 January 2006	48,977	(17,231)	(11,008)	(3,334)	17,404
For presentation purpose:					
Deferred tax assets					(31,573)
Deferred tax liabilities					48,977
					17,404

Note: Included in the losses arising from share conversion scheme of a subsidiary and an associate of RMB202,624,000 and RMB11,210,000 as set out in notes 6 and 7 respectively are investments costs attributable to the diluted interests in the subsidiary and associate of RMB114,873,000 in aggregate. These investment costs of RMB114,873,000 will deductible for income tax purpose when the Company's disposed of its remaining interests in the corresponding subsidiary or associate. Accordingly, a deferred tax asset of RMB17,231,000, derived at an expected income tax rate at the time of reversal, is recognised for this temporary difference during the six months ended 30 June 2006.

Interim Financial Report

18. TRADE AND OTHER RECEIVABLES

	30.6.2006 RMB'000	31.12.2005 RMB'000
Trade receivable, net of allowance of bad and doubtful debt	903,801	721,866
Bills receivable	65,815	48,740
Amounts due from contract customers	101,351	47,577
Other receivables, deposits and prepayments	850,954	619,485
	1,921,921	1,437,668

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

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

	30.6.2006 RMB'000	31.12.2005 RMB'000
Trade receivables		
Within two months	504,542	398,659
More than two months but within one year	285,124	210,740
Between one and two years	82,601	77,586
Between two and three years	20,199	22,212
Over three years	11,335	12,669
	903,801	721,866

Bills receivable		
Within six months	65,815	48,740

As at 30 June 2006, the Group has pledged trade receivables and bills receivable approximately RMB7,000,000 (year ended 31 December 2005: RMB13,020,000) and RMB45,090,000 (year ended 31 December 2005: RMB7,000,000) to secure bank loans granted to the Group.

19. HELD-FOR-TRADING INVESTMENTS

	30.6.2006 RMB'000	31.12.2005 RMB'000
Quoted investment funds, at fair value	29,140	15,383

Interim Financial Report



20. TRADE AND OTHER PAYABLES

	30.6.2006 RMB'000	31.12.2005 RMB'000
Trade payable	840,962	782,907
Bills payable	500,106	314,094
Amounts due to contract customers	26,383	6,654
Other payables	1,297,220	716,366
	2,664,671	1,820,021

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

	30.6.2006 RMB'000	31.12.2005 RMB'000
Trade payables		
Within two months	466,963	373,890
More than two months but within one year	245,823	325,519
Between one and two years	98,044	72,577
Between two and three years	21,128	6,003
Over three years	9,004	4,918
	840,962	782,907
Bills payable		
Within six months	500,106	314,094

The increase in other payables is mainly attributable to payables acquired through the acquisition of subsidiaries of RMB349,648,000 and the outstanding consideration payable of RMB102,657,000 set out in note 23.

Interim Financial Report

21. BORROWINGS

	30.6.2006 RMB'000	31.12.2005 RMB'000
Bank loans:		
Secured (note)	839,080	264,575
Unsecured	4,106,478	3,889,931
	4,945,558	4,154,506
Other unsecured borrowings from non-financial institution	274,145	82,100
	5,219,703	4,236,606

Note: The bank loans of RMB839,080,000 (31 December 2005: RMB264,575,000) are secured by the following assets of Group:

	30.6.2006 RMB'000	31.12.2005 RMB'000
Property, plant and equipment	548,299	553,784
Land use rights	360,800	95,370
Trade receivables	7,000	13,020
Bills receivables	45,090	7,000
Pledged bank deposits	245,712	—
	1,206,901	669,174

The borrowings are repayable as follows:

	30.6.2006 RMB'000	31.12.2005 RMB'000
Within one year	3,589,528	3,231,996
Over one year	1,630,175	1,004,610
	5,219,703	4,236,606

Interim Financial Report



22. SHARE CAPITAL

	Domestic Shares (note a)		H Shares		Total capital RMB'000
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	
Registered shares of RMB1.0 each At 1 January 2006	1,387,760,000	1,387,760	—	—	1,387,760
Creation and issue of H Shares on global offering (note b)	—	—	683,940,000	683,940	683,940
Conversion of Domestic Shares into H Shares (note c)	(68,394,000)	(68,394)	68,394,000	68,394	—
At 30 June 2006	1,319,366,000	1,319,366	752,334,000	752,334	2,071,700

Notes:

- (a) Domestic Shares are ordinary shares subscribed for and credited as fully paid up in Renminbi by PRC government and/or PRC incorporated entities only.
- (b) On 22 March 2006, the Company created, issued and placed 683,940,000 H Shares of RMB1.00 each at HK\$2.75 per H Share. The gross consideration received by the Company from the issue of H Shares amounted to HK\$1,880,835,000 (equivalent to approximately RMB1,942,150,000).
- (c) On 22 March 2006, 68,394,000 Domestic Shares were converted into H Shares.

Interim Financial Report

23. ACQUISITION OF A SUBSIDIARY

On 27 June 2006, the Group acquired 100% of the registered capital of 徐州中聯水泥有限公司 (Xuzhou China United Cement Company Limited) for consideration of RMB 602,657,000 from an independent third party. The acquired subsidiary is principal engaged in the production, storage and sale of cement.

These acquisitions have been accounted for using the purchase method. The amount of goodwill arising as a result of these acquisitions was RMB160,585,000.

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

	Acquirees' carrying amount before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Net assets acquired:			
Property, plant and equipment	1,081,251	84,138	1,165,389
Intangible assets	11,772	—	11,772
Land use rights	33,595	64,278	97,873
Inventories	37,816	—	37,816
Trade and other receivables	29,809	—	29,809
Bank balances and cash	20,648	—	20,648
Trade and other payables	(349,648)	—	(349,648)
Borrowings	(518,290)	—	(518,290)
Income tax payable	(4,320)	—	(4,320)
Deferred tax liability	—	(48,977)	(48,977)
	342,633	99,439	442,072
Goodwill			160,585
Total consideration			602,657

Interim Financial Report



23. ACQUISITION OF A SUBSIDIARY (Continued)

Total consideration satisfied by:

	<i>RMB'000</i>
Cash	500,000
Balances payable upon satisfying certain payment conditions not later than 27 November 2006 included in trade and other payables	102,657
Total consideration	602,657
Net cash outflow arising on acquisition:	
Cash consideration paid	(500,000)
Cash and cash equivalents acquired	20,648
Net cash outflow on an acquisition of a subsidiary	(479,352)

The above fair values of the assets and liabilities acquired have been determined provisionally based on the available information up to the date of this report. The directors of the Company are in the process of assessment of the fair value of assets and liabilities and there may be adjustments to the fair value of assets and liabilities and goodwill recorded as at the balance sheet date.

The goodwill arising on the acquisition of Xuzhou China United Cement Company Limited is attributable to the anticipated profitability of the Group's sales of cement in the new markets and the anticipated future synergies in cement operations from the combination.

24. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2006, the Group entered into the following significant non-cash transactions:

- (a) As set out in note 6, the Company has transferred 45,630,000 non-tradable shares in BNBK in exchange for the conversion of the non-tradable shares in BNBK held by the Company into tradable shares in accordance with a share conversion scheme of BNBK. In addition, the amount payable by the Company of RMB87,381,000 was directly paid by the Parent.
- (b) As set out in note 7, the Company has transferred 4,101,569 non-tradable shares in Youhua in exchange for the conversion of the non-tradable shares in Youhua held by the Company into tradable shares in accordance with a share conversion scheme of Youhua.

Interim Financial Report

25. CONTINGENT LIABILITIES

- (a) At the balance sheet date, the Group had the following undiscounted maximum amount of potential future payments under guarantees:

	30.6.2006 RMB'000	31.12.2005 RMB'000
Guarantees given to banks in respect of banking facilities utilised by independent third parties	—	144,500

The guarantees at 31 December 2005 were released during the six months ended 30 June 2006.

- (b) In connection with the restructuring for the purpose of listing of Company's H Shares, the Company transferred certain liabilities amounting to RMB53,910,000 (the Transferred Liabilities) to China National Building Material Import and Export Company ("CNBM Trading"), a shareholder of the Company. Based on the advice of the Company's PRC legal counsel, the Company may remain liable, together with any penalty or accrued interest, if CNBM Trading fails to fulfill its obligations in respect of the Transferred Liabilities. Pursuant to an indemnification undertaking, Parent has agreed to indemnify the Company in respect of any loss or damage incurred by the Company relating to its obligations in respect of the Transferred Liabilities.

26. CAPITAL COMMITMENTS

	30.6.2006 RMB'000	31.12.2005 RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	381,997	526,404
Capital expenditure of the Group in respect of establishment of a subsidiary contracted for but not provided in the financial statements	3,400	—

Interim Financial Report



27. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2006, the Group entered into the following transactions with the Parent and its subsidiaries ("Parent Group"), the associates of the Group and the minority shareholders of the Company's subsidiaries:

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Provision of production supplies to		
– Parent Group	45,216	27,291
– Associates	29,255	1,143
– Minority shareholders of subsidiaries	23,512	26,620
	97,983	55,054
Provision of support services to Parent Group	5,924	3,943
Provision of technical consultation services to a minority shareholder of a subsidiary	4,000	—
Rental income in respect of supply of equipment to Parent Group	3,871	800
Rental income received from an associate	5,873	5,597
Licensing of trademarks to Parent Group	91	51
Supply of raw materials by		
– Parent Group	37,638	32,989
– Associate	3,442	16,029
– Minority shareholders of subsidiaries	18,613	34,089
	59,693	83,107
Provision of production supplies by a minority shareholder of a subsidiary	15,518	12,007
Provision of support services by		
– Parent Group	13,364	6,801
– Minority shareholders of subsidiaries	1,810	12
	15,174	6,813
Rendering of engineering services by Parent Group	530	1,770
Supply of equipment by Parent Group	6,464	216

Interim Financial Report

27. RELATED PARTY TRANSACTIONS (Continued)

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

The Group operates in an economic environment currently, predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group, the associates of the Group and the minority shareholders of the Company are hereinafter collectively referred to as "State-Owned Enterprises"). During the six months ended 30 June 2006, the Group had material transactions with some of these State-Owned 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-Owned Enterprises. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

For the purpose of the interim financial report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the six months ended 30 June 2006 as follows:

(i) Material transactions

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Sales	156,002	102,565
Purchases	453,170	384,450
Interest expense	122,353	88,429

(ii) Material balances

	2006	2005
	RMB'000	RMB'000
Trade and other receivables	88,957	29,507
Trade and other payables	43,539	92,627

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-Owned Enterprises in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

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

Interim Financial Report



27. RELATED PARTY TRANSACTIONS (Continued)

(c) As 30 June 2006, the Group has the following amounts due from and to related parties

	2006 RMB'000	2005 RMB'000
Amounts due from:		
Fellow subsidiaries	93,624	128,963
Associates	23,867	20,275
Minority shareholders of the subsidiaries	12,361	3,526
	129,852	152,764
Amounts due to:		
Fellow subsidiaries	20,875	63,068
Associates	8,358	12,477
Immediate holding company	3,383	6,000
Minority shareholders of the subsidiaries	45,617	52,042
	78,233	133,587

Amounts are mainly balances from trading with related parties and are unsecured, interest-free and repayable on demand except for the following advances to or from related parties.

As at 31 December 2005, amounts due from related parties of RMB13,634,000 carried fixed interests at rates of 5.58%.

As at 30 June 2006, amounts due to related parties of RMB36,774,000 (31 December 2005: RMB37,270,000) carried fixed interest at rate of 6.03% (31 December 2005: 6.03%)

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2006 are as follows:

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Short term benefits	226	97
Post-employment benefits	17	6
	243	103

(e) As set out in note 25(b), the Parent has agreed to indemnify the Company in respect of any loss or damage incurred by the Company relating to its obligations in respect of the Transferred Liabilities.

Interim Financial Report

28. POST BALANCE SHEET EVENT

On 7 August 2006, the shareholders of China Fiberglass Company Limited ("China Fiberglass"), an associate of the Group, approved a share conversion scheme. Pursuant to the approved share conversion scheme, each shareholder of China Fiberglass, other than the Company and two other shareholders of China Fiberglass (collectively the "CF Offerors"), received two non-tradable shares and cash of RMB3.5 from the CF Offerors for every ten tradable shares they held in China Fiberglass in exchange for the permission to transfer the non-tradable shares held by the CF Offerors into tradable shares. The amount payable by the Company of approximately RMB30,042,000 were borne by the Parent. The number of non-tradable shares transferred by the Company amounted to 17,166,912 shares and the Company's equity interests in China Fiberglass were diluted from 40.17% to 36.15%. The approved share conversion scheme was completed on 17 August 2006.

29. APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements set out on pages 34 to 58 have been approved and authorized for issue by the Board of Directors on 28 August 2006.