CNBM

China National Building Material Company Limited*

中 國 建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

The Group's unaudited consolidated revenue amounted to approximately RMB9,823.9 million for the six months ended 30 June 2008, representing an increase of approximately 169.6% over the same period last year.

Profit attributable to equity holders of the Group was approximately RMB545.6 million, representing an increase of approximately 112.8% over the same period last year.

Basic earnings per share was approximately RMB0.247, representing an increase of approximately 99.2% over the same period last year.

The Board does not recommend an interim dividend for the six months ended 30 June 2008.

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2008.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2008 have been reviewed by the independent auditor, the audit committee and the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Revenue	3	**9,823,909**	3,643,541
Cost of sales		**(8,028,569)**	(2,918,577)
Gross profit		**1,795,340**	724,964
Investment income	4	**139,165**	51,897
Other income	5	**406,260**	129,874
Selling and distribution costs		**(411,305)**	(214,001)
Administrative expenses		**(530,173)**	(206,519)
Other expenses		**(12,772)**	(18,742)
Share of profit of associates		**174,698**	79,271
Finance costs	6	**(689,909)**	(147,532)
Profit before tax	7	**871,304**	399,212
Income tax expense	8	**(163,947)**	(62,688)
Profit for the period		**707,357**	336,524
Attributable to:			
Equity holders of the Company		**545,554**	256,416
Minority interests		**161,803**	80,108
		707,357	336,524
Dividends	9	**72,880**	67,123
Earnings per share - basic *(RMB)*	10	**0.247**	0.124

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**21,179,090**	13,005,097
Investment properties		**310,728**	316,340
Goodwill		**2,760,634**	1,130,556
Intangible assets		**503,208**	358,079
Interests in associates		**2,604,212**	1,794,292
Available-for-sale investments		**139,973**	107,298
Deposits		**2,152,539**	1,037,660
Prepaid lease payments		**2,506,179**	1,535,901
Deferred tax assets		**72,699**	158,598
		32,229,262	19,443,821
Current assets			
Inventories		**2,624,965**	1,519,293
Trade and other receivables	11	**6,883,653**	4,480,418
Held-for-trading investments		**336,926**	209,652
Amounts due from related parties		**497,311**	389,411
Pledged bank deposits		**1,696,917**	686,779
Cash and cash equivalents		**3,003,286**	3,150,613
		15,043,058	10,436,166

Current liabilities			
Trade and other payables	12	**10,019,219**	4,799,588
Amounts due to related parties		**1,360,912**	1,401,121
Borrowings - due within one year		**17,094,878**	8,663,614
Obligations under finance lease		**42,763**	18,222
Income tax payable		**205,792**	120,829
Financial guarantee contracts			
- due within one year		**28,060**	16,926
Dividends payable to shareholders		**72,880**	—
Dividends payable to minority shareholders			
of subsidiaries		**4,568**	30,910
		28,829,072	15,051,210
Net current liabilities		**(13,786,014)**	(4,615,044)
Total assets less current liabilities		**18,443,248**	14,828,777
Non-current liabilities			
Borrowings - due after one year		**7,393,309**	4,717,660
Deferred income		**62,471**	27,014
Obligations under finance leases		**55,614**	35,966
Financial guarantee contracts			
- due after one year		**—**	21,659
Deferred tax liabilities		**371,659**	273,500
		7,883,053	5,075,799
Net assets		**10,560,195**	9,752,978

Capital and reserves		
Share capital	**2,208,488**	2,208,488
Reserves	**5,648,769**	5,177,087
Equity attributable to equity holders of the Company	**7,857,257**	7,385,575
Minority interests	**2,702,938**	2,367,403
Total equity	**10,560,195**	9,752,978

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

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, as appropriate.

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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

HK (IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions[1]
HK (IFRIC) - Int 12	Service Concession Arrangements[2]
HK (IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

1 Effective for annual periods beginning on or after 1 March 2007

2 Effective for annual periods beginning on or after 1 January 2008

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 and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new, revised or amended Standards and Interpretation that have been issued but are not yet effective on 1 January 2008:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK (IFRIC) - Int 13	Customer Loyalty Programmes[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008

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

Business segments

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

Principal activities are as follows:

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

Segment information about these business is presented below.

	Revenue Six months ended 30 June **2008** ***RMB'000*** ***(unaudited)***	 2007 *RMB'000* *(unaudited)*	Contribution to segment results and profit before tax Six months ended 30 June **2008** ***RMB'000*** ***(unaudited)***	 2007 *RMB'000* *(unaudited)*
Segment revenue and results				
Cement	**6,696,008**	1,402,254	**887,953**	208,436
Engineering services	**1,315,865**	823,423	**189,067**	107,584
Lightweight building materials	**1,022,119**	880,250	**84,804**	100,538
Glass fiber and FRP products	**677,962**	250,352	**134,040**	29,678
Others	**305,210**	335,013	**34,012**	29,577
Inter-segment eliminations	**(193,255)**	(47,751)	**(2,109)**	(126)
	9,823,909	3,643,541	**1,327,767**	475,687
Unallocated other income			**136,522**	27,631
Unallocated administrative expenses			**(77,774)**	(35,845)
Share of profit of associates			**174,698**	79,271
Finance costs			**(689,909)**	(147,532)
Profit before tax			**871,304**	399,212
Income tax expense			**(163,947)**	(62,688)
Profit for the period			**707,357**	336,524

4. INVESTMENT INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest income	**119,699**	14,890
Changes in fair value of investments	**16,529**	36,370
Dividends from available-for-sale investments	**2,937**	637
	139,165	51,897

5. OTHER INCOME

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Government subsidies		
— VAT refunds *(Note a)*	**165,943**	72,078
— government grants *(Note b)*	**98,340**	29,391
	264,283	101,469
Technical and other service income	**17,424**	8,824
Net rental income	**17,211**	12,085
Discount on acquisition of interests in subsidiaries	**36,763**	5,900
Compensation / claims received	**29,470**	—
Financial guarantee income	**23,365**	—
Gain on disposal of property, plant and equipment	**685**	—
Gain on disposal of subsidiaries	**4,611**	—
Others	**12,448**	1,596
	406,260	129,874

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.

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank borrowings and other borrowings wholly repayable within five years	**730,347**	167,034
Less: interest capitalised to construction in progress	**(40,438)**	(19,502)
	689,909	147,532

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit before tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment and investment properties	**510,876**	162,373
Amortisation of intangible assets (including administrative expenses)	**12,253**	4,367
Prepaid lease payments released to income statement	**19,114**	7,951
Allowance for bad and doubtful debts	**20,832**	7,407
Share of income tax of associates included in the share of profit of associates	**50,237**	40,421
Net exchange loss included in other expenses	**12,772**	12,875

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current income tax	**192,026**	60,500
Deferred income tax	**(28,079)**	2,188
	163,947	62,688

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No.63 of the President of the PRC which has been effective from 1 January 2008. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1 January 2008. Accordingly, PRC income tax is calculated at 25% of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulation in the PRC for the period ended 30 June 2008, except for certain subsidiaries of the Company, which are exempted from PRC income tax or taxed at transitional preferential rates of 18% during the year of 2008 entitled by the subsidiaries in accordance with relevant tax rules and regulation or approvals obtained by the tax bureaus in the PRC.

9. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Dividends *(Note a)*	**72,880**	67,123

Notes:

(a) During the period, a dividend of RMB0.033 (Six months ended 30 June 2007: RMB0.0324) per share, amounting to RMB72.9 million (Six months ended 30 June 2007: RMB67.1 million) was announced as the final dividend for the immediate preceding financial year end. The dividends announced during the period have not been paid to shareholders.

(b) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

10. 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	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings for the purposes of basic earnings per share	**545,554**	256,416

	Six months ended 30 June	
	2008	2007
	(unaudited)	*(unaudited)*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,208,488,000**	2,071,700,000

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

11. TRADE AND OTHER RECEIVABLES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables, net of allowance for bad and doubtful debts	**3,069,503**	1,884,962
Bills receivable	**635,581**	543,948
Amounts due from customers for contract work	**132,832**	231,831
Loans receivable	**972,195**	342,668
Other receivables, deposits and prepayments	**2,073,542**	1,477,009
	6,883,653	4,480,418

The Group normally allowed an average of credit period of 60 to 180 days to its trade customers. The aged analysis of trade receivables and bills receivable is as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables		
Within two months	**1,929,302**	1,305,600
More than two months but within one year	**786,799**	354,485
Between one and two years	**252,237**	158,338
Between two and three years	**69,827**	48,921
Over three years	**31,338**	17,618
	3,069,503	1,884,962

Bills receivable are aged within six months.

12. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**3,730,936**	2,501,257
Bills payable	**1,564,880**	628,444
Amounts due to contract customers	**152,237**	99,087
Other payables	**4,571,166**	1,570,800
	10,019,219	4,799,588

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

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables		
Within two months	**1,982,363**	1,376,942
More than two months but within one year	**1,321,586**	860,455
Between one and two years	**328,781**	171,656
Between two and three years	**71,482**	58,690
Over three years	**26,724**	33,514
	3,730,936	2,501,257

Bills payables are aged within six months.

BUSINESS REVIEW AND OUTLOOK

BUSINESS HIGHLIGHTS

The major operating data of each segment for June 2007 and June 2008 are set out below:

CEMENT SEGMENT

China United

	For the six months ended 30 June	
	2008	2007
Production volume-cement *(in thousand tonnes)*	**10,845.3**	5,326.8
Production volume-clinker *(in thousand tonnes)*	**11,461.2**	6,028.9
Sales volume-cement *(in thousand tonnes)*	**10,819.6**	5,284.5
Sales volume-clinker *(in thousand tonnes)*	**4,886.2**	2,469.5
Average selling price-cement *(RMB per tonne)*	**210.3**	189.0
Average selling price-clinker *(RMB per tonne)*	**197.1**	156.0

South Cement

	For the six months ended 30 June 2008
Production volume-cement *(in thousand tonnes)*	**10,430.2**
Production volume-clinker *(in thousand tonnes)*	**12,562.8**
Sales volume-cement *(in thousand tonnes)*	**10,361.5**
Sales volume-clinker *(in thousand tonnes)*	**5,141.7**
Average selling price-cement *(RMB per tonne)*	**226.3**
Average selling price-clinker *(RMB per tonne)*	**212.8**

	For the six months ended 30 June	
	2008	2007
Gypsum boards — BNBM		
Production volume *(in million m^2)*	**23.0**	35.8
Sales volume *(in million m^2)*	**29.7**	25.6
Average selling price *(RMB per m^2)*	**6.75**	6.17
Gypsum boards — Taihe		
Production volume *(in million m^2)*	**104.4**	96.3
Sales volume *(in million m^2)*	**107.6**	101.9
Average selling price *(RMB per m^2)*	**4.53**	4.08
Acoustical ceiling panels — BNBM		
Production volume *(in million m^2)*	**3.2**	2.6
Sales volume *(in million m^2)*	**2.8**	2.7
Average selling price *(RMB per m^2)*	**17.5**	17.3
Acoustical ceiling panels — Tianfeng		
Production volume *(in million m^2)*	**2.1**	1.8
Sales volume *(in million m^2)*	**1.4**	1.8
Average selling price *(RMB per m^2)*	**7.69**	7.61
Lightweight metal frames		
Production volume *(in thousand tonnes)*	**16.5**	14.1
Sales volume *(in thousand tonnes)*	**15.0**	15.1
Average selling price *(RMB per tonne)*	**6,772.0**	5,846.5

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

	For the six months ended 30 June	
	2008	2007
Rotor blade		
Production volume *(in blade)*	**1,072**	167.0
Sales volume *(in blade)*	**957**	189.0
Average selling price *(RMB per blade)*	**460,880**	428,339
FRP Products		
Production volume *(in thousand tonnes)*	**9.6**	4.6
Sales volume *(in thousand tonnes)*	**7.4**	5.0
Average selling price *(RMB per tonne)*	**16,690.0**	19,794.9
Glass Fiber Mats		
Production volume *(in million m^2)*	**61.9**	34.0
Sales volume *(in million m^2)*	**63.3**	35.2
Average selling price *(RMB per m^2)*	**0.88**	0.97

BUSINESS REVIEW AND OUTLOOK

Review for the first half of 2008

During the first half of 2008, the Group focused on the operation target set at the beginning of the year while pushing ahead vigorously with the process of consolidation and restructuring in order to overcome the impact from unfavourable factors such as rising price of raw materials and fuel by integrating the management, boosting project construction, and enhancing corporate governance, so as to ensure the sound operation of the Company. As a result, all the major operating indexes achieved significant growth as compared with the same period last year. In the meantime, the Group also improved management and optimised the Company's debt structure through the issue of short-term debenture, indirect finance and integration of equity structure of business segments. Leveraging its admirable operating results, high level of market recognition and huge influence on the building materials industry, the Group was included in the HSCEI by HSI Services Limited at the beginning of 2008.

Cement Segment

According to NDRC, the PRC produced approximately 648.05 million tonnes of cement for the first half of 2008. The significant increase in cement price was economically beneficial to the industry. The industrial structure and investment structure of cement industry has improved continuously. In the first half of 2008, outdated production facilities with approximately 20 million tonnes of capacity were eliminated in the country. The NSP cement accounted for over 56%.

China United has consolidated and restructured its operations in the Huaihai Economic Zone and its surrounding areas and maintained its leading position among the cement enterprises in the Huaihai Economic Zone. A smooth transition in the consolidation and restructuring of the acquired enterprises ensured that their operation, management, production, technical indexes and profitability were improved substantially. The resulting synergy put these enterprises on the right path towards beneficial development. Guided by its established target, development visions and principle of consolidation and restructuring, South Cement expedited consolidation and restructuring in the target areas. South Cement's existing production capacity has amounted to approximately 69 million tonnes. Accordingly, South Cement has become an enterprise with substantial influence in the regional market.

Facing pressures from rising fuel and raw material price, China United expanded the scope of centralized procurement of fuel and raw materials so as to lower procurement cost. Meanwhile, it established a market linkage system and improved sales made by subsidiaries, thus boosting the recovery of the cement price of this region and the growth of the whole cement industry in the region. South Cement gradually implemented strategic deployment and established South Cement (Zhejiang) Market Management Committee to boost marketing centralization and maintain market order, thus boosting the recovery of the cement price of this region. The Company's profitability has continued to improve. China United and South Cement's clinker product line projects and residual-heat power generation projects, whether under construction or under preparation, were carried out smoothly as scheduled in an orderly manner.

Lightweight Building Materials Segment

With further implementation of the PRC's energy-saving policies and improving public concern regarding energy saving and environment protection, a favourable market environment has been created for new building materials which are energy, water, land and material efficient, environmentally friendly and recyclable.

With the implementation of BNBM's national industrial layout, BNBM formulated the development planning for its gypsum board marketing channel to satisfy the rapidly increasing production capacity. BNBM put more efforts in marketing landmark projects and made material progress in this regard. Its "Dragon" branded gypsum board products maintained the cutting edge reputation of "Dragon" branded products in landmark buildings. Taihe explored the market aggressively and sold over 100 million square meters of gypsum board on an accumulated basis, making its best result on record. Facing unfavourable factors such as the rising cost of fuel, raw material and transportation cost, BNBM and Taihe proactively adopted cost control measures and strengthened marketing. By increasing product prices, they managed to secure profitability of major products such as gypsum boards.

Glass Fiber and Composite Materials Industry

Composite Materials Business

During the first half of 2008, the composite materials industry in the PRC maintained growth momentum in terms of both production and sales volume, especially for high-end products such as rotor blades. The Company's subsidiary, China Composites, accelerated the construction of its rotor blade project. With Phase II of its rotor blade project put into production smoothly, economies of scale emerged gradually. Production and sales of rotor blades expanded steadily. As at 30 June 2008, China Composites has produced 1,012 pieces of 1.5MW rotor blades, 306 sets of which have been delivered and put in operation, also produced 60 pieces of 2MW rotor blades and is currently developing the 3MW blades.

Glass fiber business

In the first half of 2008, the glass fiber industry maintained robust growth in demand and favourable trade surplus in import and export. The Group's alkali-free glass fiber direct-melt furnace production line with a capacity of 140,000 tonnes per annum in Tongxiang, Zhejiang, which was constructed in August 2007, and the alkali-free glass fiber direct-melt furnace production line with a capacity of 40,000 tonnes per annum in Chengdu and key equipment import projects were put into operation in March 2008 and January 2008 respectively. The alkali-free glass fiber direct-melt furnace production line with a capacity of 140,000 tonnes per annum in Tongxiang, Zhejiang, which was constructed in January, and the mid-alkali glass fiber direct-melt furnace production line project with a capacity of 60,000 tonnes per annum in Chengdu were put into operation in July 2008 successively. The operation of the above two 140,000- tonne-per-annum glass fiber projects symbolised the smooth construction and completion of the world's biggest alkali-free glass fiber direct-melt furnace production line, which also indicated that the 600,000 tonnes per annum glass fiber production base in Tongxiang was going to be completed.

Engineering Services Segment

In the first half of 2008, China Triumph put more effort in the development of its EPC business and actively explored the residual-heat power generation project for its float glass plant. As a result, its leading position in the domestic engineering technology market for building materials was consolidated, further enhancing its competitiveness. China Triumph overcame the unfavourable impact of fiercer competition in the international EPC market, depreciating US dollar and rising prices of raw materials and grabbed market share in the international cement engineering and technical service market through its admirable technologies and services, consolidation and enlargement of its international glass engineering and technical services. Leveraging upon its advantages, China Triumph achieved favourable results in the international market.

OUTLOOK FOR THE SECOND HALF OF 2008

In the second half of 2008, the Group will leverage the two driving forces, capital operation as well as consolidation and restructuring, press ahead with the Three Five Management Operation Mode by focusing on centralizing and unifying management, and push forth on management, technology and marketing. While enhancing technological innovation and investment decision-making management, the Group will increase its efforts in capital operation, seize new opportunities, and make full use of the advantages provided to central government-run businesses in industry restructuring so as to bring the admirable integration capability and market competitiveness of the Group into full play. Further, focusing on the development strategy and regional market, the Group will accelerate consolidation and restructuring, expand and strengthen principal businesses rapidly, to create more synergy.

Cement Segment

China United plans to carry out consolidation and restructuring for cement enterprises in the target region, further enhance management integration and enlarge its production scale and competitive edge in the regional market. While ensuring the stable operation of residual-heat power generation projects which have been put into operation, China United will take the initiative to advance auxiliary residual-heat power generation projects for the production lines of newly-acquired enterprises. South Cement will continue to steadily push ahead with consolidation and restructuring, emphasize management improvement and integration, and promote the residual-heat power generation equipment projects for scaled production lines in an orderly and progressive way. Meanwhile, it will attach more importance on integration to centralize procurement of raw materials, increase sales and unify adjustment of price, thus achieving more synergy.

Lightweight Building Materials Segment

Construction of projects will be accelerated. With new production lines being put into operation gradually, marketing channel construction will also be strengthened. Sales advantages will be consolidated and improved while enhancing profitability across the board.

Glass Fiber and Composite Materials Segment

Composite materials business

The Group will vigorously push ahead with the localization of wind power equipment, increase investment and speed up the construction of rotor blades projects, and aim to build the largest rotor blades production base in the PRC. Meanwhile, it will strengthen new product development and technical innovation, and seek to develop 3MW rotor blades.

Glass fiber business

The Group aims to complete the construction of a 600,000-tonne glass fiber production base in Tongxiang. In the meantime, it will expedite the development of new products and strive for transformation of its sales growth mode.

Engineering Services Segment

By occupying the high-end glass engineering technology market, the Group expects to grab a share of the cement technology market, expand principal operation and boost the profitability of its principal operation. In addition, it is to speed up the commercialization of research findings and increase added value, thus increasing the core competitiveness of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2008, the unaudited revenue of the Group increased by 169.6% from RMB3,643.5 million for the six months ended 30 June 2007 to RMB9,823.9 million. The unaudited profit attributable to equity holders increased by 112.8% from RMB256.4 million for the six months ended 30 June 2007 to RMB545.6 million for the six months ended 30 June 2008.

MATERIAL TRANSACTION

1. Establishment of Zhongfei Investment

On 15 January 2008, the Company and China-Africa Development Fund ("CADF") entered into the Investment Agreement in relation to the establishment of Zhongfei Building Material Investment Company Limited (中非建材投資發展有限公司) ("Zhongfei Investment") as a manufacturer and seller of cement and other building material products in Africa. The registered capital of Zhongfei Investment is proposed to be RMB1 billion. Upon the completion of capital contributions, the Company will hold 60% equity interest of Zhongfei Investment and CADF will hold 40% equity interest.

Details of the establishment of Zhongfei Investment were disclosed in the announcement dated 16 January 2008 and circular dated 4 February 2008. As at the date of this announcement, the establishment of Zhongfei Investment is still under preparation.

2. Special Mandate for Placing of New H Shares

Pursuant to the Board Meeting convened on 30 January 2008 and the extraordinary general meeting ("EGM") and the Domestic and H Shareholders Class Meetings convened on 27 March 2008, a Special Mandate to issue not more than 300 million H Shares by way of a Proposed Placing was considered and approved. The Company intends to use the proceeds from the Proposed Placing for acquisitions of clinker and cement production lines and waste residual heat power generation projects, as well as the acquisition of equity interests in cement-related corporations. The excess proceeds will be used for general working capital purposes, repaying bank loans and potential future investments and acquisitions of the Group.

Details of the Special Mandate for the placing of New H Shares were disclosed in the relevant announcements dated 30 January 2008 and 27 March 2008 and the circular dated 11 February 2008 issued by the Company. As at the date of this announcement, the Placing of New H Shares has not been completed.

3. Issue of Short-term Debenture in the PRC

On 8 April 2008 and 30 May 2008, the Board considered and approved the proposed issuance of a Short-Term Debenture ("Issue of Debenture") with a principal amount of not more than RMB2.5 billion and a maturity of not more than 1 year at the Board meeting of the Company and the EGM, respectively. The Issue of Debenture was duly registered with National Association of Financial Market Institutional Investors on 16 July 2008. As approved at the Board meeting on 24 July 2008, the Company issued a Short-Term Debenture with a principal amount of RMB2.4 billion with a maturity of 365 days during the period from 25 July 2008 to 28 July 2008.

Details of the Issue of Debenture were disclosed in the announcements dated 8 April 2008 and 28 July 2008, and circular dated 15 April 2008. As at the date of this announcement, the Issue of Debenture has been completed.

4. Cooperation with Qilianshan Cement

On 10 July 2008, the Company entered into a joint venture agreement with Gansu Qilianshan Cement Group Company Limited（甘肅祁連山水泥集團股份有限公司）(“Qilianshan Cement”), pursuant to which the parties agreed to invest jointly in four companies which engaged in sales and production of cement and related products. The Company and Qilianshan Cement agreed to contribute RMB198.94 million and RMB207.06 million both in the form of cash, representing 49% and 51% of the registered capital of the four companies, respectively.

Details of the cooperation with Qilianshan Cement were disclosed in the announcement dated 10 July 2008.

5. Change in Auditors

On 12 August 2008, the Company published the announcement in relation to the change in auditors for financial year ending 31 December 2008. Pursuant to the authorisation granted at the annual general meeting, the Board decided to appoint its existing auditor in Hong Kong, Deloitte Touche Tohmatsu, to review the Company’s financial results for the six months ended 30 June 2008. Meanwhile, pursuant to the relevant PRC requirements, the Company has appointed Vocation International Certified Public Accountant Co. Ltd.（天職國際會計師事務所）as its auditor in the PRC and Tianzhi (H.K.) C.P.A.（天職（香港）會計師事務所）as its auditor in Hong Kong, for the financial year ending 31 December 2008.

Details were disclosed in the announcement dated 12 August 2008.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board did not learn any information showed that the Company failed to comply with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules of the Stock Exchange for the six months ended 30 June 2008.

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 set out in the Model Code during the reporting period.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee"). The scope of duties and powers for the Audit Committee complied with the provisions of the Code. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and risk management. The Audit Committee has reviewed the 2008 interim results of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

"BNBM"	北新集團建材股份有限公司(Beijing New Building Material Company Limited)
"Board"	the board of directors of the Company
"China Composites"	中國複合材料集團有限公司(China Composites Group Corporation Limited)
"China Triumph"	中國國際工程有限公司(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)
"Company"	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
"EPC"	turn-key project services that include engineering, procurement and construction
"Group"	the Company and, except where the context otherwise requires, all its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaihai Economic Zone"	as identified by the National Bureau of Statistics of China, 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

"HSCEI"	Hang Seng China Enterprises Index
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"NDRC"	National Development Reform Commission of the People's Republic of China
"NSP"	new suspension preheater dry process
"PRC"	the People's Republic of China
"RMB"	Renminbi yuan, the lawful currency of the PRC
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"State", "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

"Taihe"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited), formerly called 山東泰和東新股份有限公司 (Shandong Taihe Dongxin Company
"Three Five Management Operation Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation, investment decision-making centralization. Five I (five operation indices, key operation indices) , i.e. net profit, selling price and sales volume, cost, cash flow, gearing ratio
"Tianfeng"	蘇州北新礦棉板有限公司 (BNBM Suzhou Mineral Fiber Ceiling Company Limited), formerly called 蘇州天豐新型建材有限責任公司(Suzhou Tianfeng New Building Material Company Limited)

On behalf of the Board
Song Zhiping
Chairman

Beijing, the PRC
26 August 2008

As at the date of this announcement, the executive directors of the Company are Mr. Song Zhiping, Mr. Cao Jianglin, Mr. Li Yimin and Mr. Peng Shou, the non-executive directors of the Company are Ms. Cui Lijun, Mr. Huang Anzhong and Mr. Zuo Fenggao, and the independent non-executive directors of the Company are Mr. Zhang Renwei, Mr. Zhou Daojiong, Mr. Chi Haibin and Mr. Lau Ko Yuen, Tom.

* *For identification only*