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)

Announcement of Annual Results For the Year Ended 31 December 2008

The Group's audited consolidated revenue amounted to approximately RMB26,365 million for the year ended 31 December 2008, representing an increase of approximately 150.8% over the same period of 2007.

Profit attributable to equity holders of the Group was approximately RMB1,511.5 million, representing an increase of approximately 65.7% over the same period of 2007.

Basic earnings per share was approximately RMB0.68, representing an increase of approximately 58.1% over the same period of 2007.

The Board recommends to distribute of a final dividend of RMB0.045 (pre-tax) per share for 2008 (2007: RMB0.033 (pre-tax) per share), representing a total amount of RMB111,654,687.29 (pre-tax).

The Board of Directors (the “Board”) of China National Building Material Company Limited (the “Company” or “CNBM”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards (“IFRS”) and the Group’s consolidated financial position as of 31 December 2008, together with the consolidated results and financial position of 2007 for comparison, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008** *RMB’000*	2007 *RMB’000*
Revenue	4	**26,365,159**	10,514,411
Cost of sales		**(21,851,738)**	(8,519,325)
Gross profit		**4,513,421**	1,995,086
Selling and distribution costs		**(884,012)**	(524,269)
Administrative expenses		**(1,348,674)**	(616,307)
Investment and other income	6	**1,186,583**	688,487
Other expenses		**(88,172)**	(4,345)
Finance costs — net	7	**(1,368,044)**	(393,921)
Share of profit of associates		**155,327**	230,795
Profit before income tax	8	**2,166,429**	1,375,526
Income tax expense	9	**(293,073)**	(226,793)
Profit for the year		**1,873,356**	1,148,733

Attributable to:			
Equity holders of the Company		**1,511,542**	912,446
Minority interests		**361,814**	236,287
		1,873,356	1,148,733
Dividends			
— paid	10	**72,880**	67,123
— proposed	10	**111,655**	72,880
Earnings per share — basic (RMB)	11	**0.68**	0.43

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment		**26,900,840**	13,005,097
Prepaid lease payments		**3,404,818**	1,535,901
Investment properties		**331,892**	316,340
Goodwill		**4,986,745**	1,130,556
Intangible assets		**740,072**	358,079
Investments in associates		**2,815,968**	1,794,292
Available-for-sale financial assets		**102,419**	107,298
Deposits		**969,668**	1,037,660
Deferred income tax assets		**185,234**	158,598
		40,437,656	19,443,821

	Note		
Current assets			
Inventories		**3,331,223**	1,519,293
Trade and other receivables	12	**8,643,830**	4,480,418
Held-for-trading investments		**263,263**	209,652
Amounts due from related parties		**745,303**	389,411
Pledged bank deposits		**1,756,663**	686,779
Cash and cash equivalents		**3,726,253**	3,150,613
		18,466,535	10,436,166
Current liabilities			
Trade and other payables	13	**18,023,388**	4,799,588
Amounts due to related parties		**2,364,178**	1,401,121
Borrowings		**17,472,843**	8,663,614
Obligations under finance leases		**45,126**	18,222
Current income tax liabilities		**298,607**	120,829
Financial guarantee contracts due within one year		**6,690**	16,926
Dividend payable to minority shareholders		**7,089**	30,910
		38,217,921	15,051,210
Net current liabilities		**(19,751,386)**	(4,615,044)
Total assets less current liabilities		**20,686,270**	14,828,777
Non-current liabilities			
Borrowings		**7,774,960**	4,717,660
Deferred income		**94,263**	27,014
Obligations under finance leases		**32,783**	35,966
Financial guarantee contracts due after one year		**15,030**	21,659
Deferred income tax liabilities		**636,010**	273,500
		8,553,046	5,075,799
Net assets		**12,133,224**	9,752,978

Capital and reserves		
Share capital	**2,208,488**	2,208,488
Reserves	**6,621,862**	5,177,087
Capital and reserves attributable to equity holders of the Company	**8,830,350**	7,385,575
Minority interests	**3,302,874**	2,367,403
Total equity	**12,133,224**	9,752,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 April 2009.

2. APPLICATION OF NEW AND REVISED IFRS

Basis of preparation

The consolidation financial statements of China National Building Material Company Limited have been prepared in accordance with International Financial Reporting Standard ('IFRS'). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) Amendments and interpretations effective in 2008

- The IAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- IFRIC — Int 11, 'IFRS 2 — Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

- IFRIC — Int 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction,' provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affect by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statement, as the Group has a pension deficit and is not subject to any minimum funding requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Purchase of additional interests in subsidiaries

The cost of the purchase of additional interests in subsidiaries is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for these additional interests.

Goodwill is calculated as the difference between the considerations paid for the additional interests and corresponding portion of the carrying value of the net assets of the subsidiary acquired.

Discount on acquisition of additional interests in subsidiaries is recognised as income in the current period.

Impairment of goodwill arising from purchase of additional interest in subsidiaries will follow the same principles for goodwill arising from business combination.

Goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary or business, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not the control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Revenue from engineering services performed in respect of construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Other service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Construction in progress represents property, plant and equipment in the course of construction for production or its own use purposes.

Construction in progress is stated at cost which includes all construction costs and other direct costs attributable to such projects including borrowing costs capitalised and less any recognised impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expended to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Upfront prepayments made for the prepaid lease payments and leasehold land are initially recognised in the consolidated balance sheet as prepaid lease payments and are expensed in the consolidated income statement on a straight line basis over the periods of the respective leases.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of the investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion, under which condition the revenue cannot be recognised. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB, using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Government grants

Government grants, which take many forms including VAT refunds, are recognised as income when the conditions for the grants are met and there is a reasonable assurance that the grant will be received. Government grant relating to expense items are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate and reported separately as other income. Where the grant relates to a depreciable asset, it is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Cash-settled share-based payment transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share appreciation rights which are settled in cash. The cost of share appreciation rights is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments are granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in the consolidated income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet dates.

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred income tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Intangible assets

Intangible assets included the acquired patents, trademarks and mining rights. Patents have finite useful lives and are measured initially at purchase cost and are amortised on a straightline basis over their estimated useful lives. Subsequent to initial recognition, patents are stated at cost less accumulated amortisation and any accumulated impairment losses.

Trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

Mining rights have finite useful lives and are measured initially at purchase cost and are amortised on a straight-line basis over the concession period. Subsequent to initial recognition, mining rights are stated at cost less accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of the intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in the consolidated income statement when the intangible assets are derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated into individual cash-generating units, or otherwise they are allocated to the smallest group for which a reasonable and consistent allocation basis can be identified. An intangible asset with an indefinite useful life is tested for impairment annually or more frequently whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

Financial Instrument

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in investment and other income.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group only include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement includes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in the consolidated income statement in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the interest revenue recognition policies above.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

4. REVENUE

	2008	2007
	RMB'000	*RMB'000*
Sale of goods	**23,231,966**	8,632,411
Provision of engineering services	**3,104,030**	1,868,485
Rendering of other services	**29,163**	13,515
	26,365,159	10,514,411

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purpose, the Group is currently organised into four operating divisions — lightweight building materials, cement, engineering services 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:

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 FRP products	—	Production and sale of glass fiber and FRP products
Others	—	Merchandise trading business and others

Segment information about these businesses is presented below:

Year ended 31 December 2008

	Lightweight building materials *RMB'000*	Cement *RMB'000*	Engineering services *RMB'000*	Glass fiber and FRP products *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
INCOME STATEMENT							
Revenue							
External sales	2,365,698	18,349,554	3,244,114	1,549,738	856,055	—	26,365,159
Inter-segment sales *(Note)*	—	—	647,481	—	—	(647,481)	—
	2,365,698	18,349,554	3,891,595	1,549,738	856,055	(647,481)	26,365,159
Segment results	243,517	2,320,789	557,881	285,828	116,078	7,324	3,531,417
Unallocated other loss							(61,510)
Unallocated other expenses							(4,700)
Unallocated administrative expenses							(86,061)
Share of profit of associates	18,701	30,959	(2,248)	116,915	(9,000)	—	155,327
Finance costs							(1,368,044)
Profit before income tax							2,166,429
Income tax expense							(293,073)
Profit for the year							1,873,356

	Lightweight building materials	Cement	Engineering services	Glass fiber and FRP products	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	865,194	3,046,684	46,614	194,860	90,084	—	4,243,436
— Prepaid lease payments	163,522	264,061	7,819	5,773	29,353	—	470,528
— Intangible assets	250	151,096	—	5,786	16	—	157,148
— Unallocated							14,398
	1,028,966	3,461,841	54,433	206,419	119,453	—	4,885,510
— Acquisition of subsidiaries	—	13,090,673	—	—	—	—	13,090,673

	Lightweight building materials	Cement	Engineering services	Glass fiber and FRP products	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and amortisation							
— Property, plant and equipment	150,460	997,104	5,720	44,800	16,528	—	1,214,612
— Intangible assets	1,244	33,816	8	543	—	—	35,611
— Unallocated							515
	151,704	1,030,920	5,728	45,343	16,528	—	1,250,738
Prepaid lease payments released to the consolidated income statement	6,760	67,515	228	1,264	2,274	—	78,041
Allowance for bad and doubtful debts	2,603	(6,941)	9,089	9,326	97	—	14,174
Write-down of inventories	—	4,597	—	—	—	—	4,597
BALANCE SHEET							
ASSETS							
Segment assets	3,808,392	36,145,625	697,604	1,023,039	307,830	—	41,982,490
Investments in associates	227,225	1,102,009	10,542	1,434,647	41,545	—	2,815,968
Unallocated assets							14,105,733
Total consolidated assets							58,904,191
LIABILITIES							
Segment liabilities	505,235	14,365,119	1,796,571	871,539	329,128	—	17,867,592
Unallocated liabilities							28,903,375
Total consolidated liabilities							46,770,967

Year ended 31 December 2007

	Lightweight building materials RMB'000	Cement RMB'000	Engineering services RMB'000	Glass fiber and FRP products RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
INCOME STATEMENT							
Revenue							
External sales	2,132,726	4,753,274	2,021,737	781,994	824,680	—	10,514,411
Inter-segment sales *(Note)*	—	—	86,796	—	—	(86,796)	—
	2,132,726	4,753,274	2,108,533	781,994	824,680	(86,796)	10,514,411
Segment results	237,265	759,327	263,616	101,783	40,185	12,266	1,414,442
Unallocated other income							185,445
Unallocated other expenses							(83)
Unallocated administrative expenses							(61,152)
Share of profit of associates	2,263	(18)	1,085	219,045	8,420	—	230,795
Finance costs							(393,921)
Profit before income tax							1,375,526
Income tax expense							(226,793)
Profit for the year							1,148,733

	Lightweight building materials RMB'000	Cement RMB'000	Engineering services RMB'000	Glass fiber and FRP products RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
OTHER INFORMATION							
Capital expenditure:							
— Property, plant and equipment	194,939	1,084,454	19,023	168,230	6,226	—	1,472,872
— Prepaid lease payments	131,770	160,023	28,373	—	104,495	—	424,661
— Intangible assets	—	194,396	—	—	—	—	194,396
— Unallocated							46
	326,709	1,438,873	47,396	168,230	110,721	—	2,091,975
Acquisition of subsidiaries							
— Allocated	—	5,806,478	—	—	—	—	5,806,478
— Unallocated							30,200
	—	5,806,478	—	—	—	—	5,836,678
Depreciation and amortisation							
— Property, plant and equipment	82,070	289,088	6,039	26,502	3,701	—	407,400
— Intangible assets	2,739	7,441	311	612	—	—	11,103
— Unallocated							9,272
	84,809	296,529	6,350	27,114	3,701	—	427,775

	Lightweight building materials RMB'000	Cement RMB'000	Engineering services RMB'000	Glass fiber and FRP products RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Prepaid lease payments released to the consolidated income statement	4,343	10,873	137	1,234	1,586	—	18,173
Impairment loss on intangible assets	3,150	—	—	—	—	—	3,150
Impairment loss on investment in an associate	1,124	—	—	—	—	—	1,124
Allowance for bad and doubtful debts	28,371	5,916	8,729	6,982	(15)	—	49,983
(Reversals of) write-down of inventories	(2,490)	—	—	135	—	—	(2,355)
BALANCE SHEET							
ASSETS							
Segment assets	3,446,350	16,836,969	1,548,617	1,198,669	625,543	—	23,656,148
Investments in associates	165,932	209,459	17,941	1,318,796	82,164	—	1,794,292
Unallocated assets							4,429,547
Total consolidated assets							29,879,987
LIABILITIES							
Segment liabilities	392,678	2,832,749	836,386	348,843	326,045	—	4,736,701
Unallocated liabilities							15,390,308
Total consolidated liabilities							20,127,009

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

(b) Geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

	Revenue from external customers	
	2008	2007
	RMB'000	*RMB'000*
PRC	**23,316,056**	8,306,206
European countries	**123,750**	690,338
Middle East	**765,670**	643,938
Southeast Asia	**1,855,149**	497,838
Oceania	**19,669**	212,754
Others	**284,865**	163,337
	26,365,159	10,514,411

More than 90% of the Group's operations and assets are located in the PRC for the year ended 31 December 2008 and 2007.

6. INVESTMENT AND OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Dividend from available-for-sale financial assets	**2,952**	1,573
Discount on acquisition of interests/additional interests in subsidiaries	**104,415**	5,168
Financial guarantee income	**31,805**	13,485
Government subsidies:		
VAT refunds *(Note a)*	**483,955**	271,308
Government grants *(Note b)*	**475,758**	205,808
Interest subsidy	**330**	—
Increase in fair value of held-for trading investments	**(40,635)**	156,762
Net rental income from:		
— investment properties	**51,513**	22,683
— equipment	**5,460**	420
Recovery of bad and doubtful debts previously written off	**10,839**	—
Technical and other service income	**20,864**	8,179
Waiver of payables	**9,144**	256
Others	**30,183**	2,845
	1,186,583	688,487

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 recognised 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 recognised 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.

7. FINANCE COSTS — NET

	2008	2007
	RMB'000	*RMB'000*
Interest expenses on borrowings:		
— wholly repayable within five years	**1,743,079**	477,799
— not wholly repayable within five years	**43,200**	39,433
	1,786,279	517,232
Less: interest capitalised to construction in progress	**(171,483)**	(65,431)
	1,614,796	451,801
Interest income:		
— interest on bank deposits	**(128,308)**	(50,687)
— interest on loans receivable	**(118,444)**	(7,193)
Finance costs — net	**1,368,044**	393,921

Borrowing costs capitalised for the year ended 31 December 2008 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 5.9% (2007: 5.9%) per annum to expenditure on the qualifying assets.

8. EXPENSES BY NATURE

	2008	2007
	RMB'000	*RMB'000*
Depreciation of:		
— property, plant and equipment	**1,215,127**	408,363
— investment properties	**7,488**	8,309
	1,222,615	416,672
Amortisation of intangible assets (included in cost of sales)	**35,611**	11,103
Total depreciation and amortisation	**1,258,226**	427,775
Impairment loss on investments in associates	**—**	1,124
Impairment loss on intangible assets	**—**	3,150
Cost of inventories recognised as expenses	**18,700,744**	6,822,407
Prepaid lease payments released to the consolidated income statement	**78,041**	18,173
Auditors' remuneration	**5,910**	5,800
Staff costs including directors' remunerations:		
— Salaries, bonus and other allowances	**935,057**	417,956
— Share appreciation rights	**2,877**	2,877
— Retirement plan contributions	**83,926**	76,589
Total staff costs	**1,021,860**	497,422
Allowance for bad and doubtful debts	**14,174**	49,983
Write-down/(reversal of provision) of inventories	**4,597**	(2,355)
Operating lease rentals	**12,493**	14,186
Loss on disposal of property, plant and equipment and investment properties	**4,491**	3,220
Net foreign exchange losses	**19,704**	21,252

9. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Current income tax	**385,920**	221,662
Deferred income tax	**(92,847)**	5,131
	293,073	226,793

PRC income tax is calculated at 25% (2007: 33%) of the estimated assessable profit of the Group as determined in accordance with relevant tax rules and regulations in the PRC, except for certain subsidiaries of the Company, which are exempted or taxed at preferential rates 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.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (The "New Law") by order No. 63 of the President of the People's Republic of China which will be effective from 1 January 2008. The New Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. The existing Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the PRC on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously.

The total charge for the year can be reconciled to the profit before income tax as follows:

	2008	2007
	RMB'000	*RMB'000*
Profit before income tax	**2,166,429**	1,375,526
Tax at domestic income tax rate of 25% (2007: 33%)	**541,607**	453,924
Tax effect of:		
Share of profit of associates	**(38,834)**	(76,162)
Expenses not deductible for tax purposes	**21,488**	46,913
Tax effect of tax losses not recognised	**50,792**	24,715
Utilisation of tax losses not previously recognised	**(108,240)**	(8,836)
Income tax credits granted to subsidiaries on utilisation of industrial waste *(Note a)*	**(73,978)**	(80,934)
Income tax credits granted to subsidiaries on acquisition of certain qualified equipment *(Note b)*	**(62,700)**	(52,969)
Effect of different tax rates of subsidiaries	**(37,385)**	(80,818)
Effect of deferred tax due to the change in income tax rate	**323**	960
Income tax expense	**293,073**	226,793

Notes:

(a) Pursuant to the relevant tax rules and regulations, tax credits were granted to certain subsidiaries of the Company on utilisation of industrial waste as part of the raw materials. The credits are allowed as a deduction of current PRC income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

(b) Pursuant to the relevant tax rules and regulations, certain subsidiaries of the Company can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC, to the extent of the PRC income tax expense for the current year in excess of that for the previous year. Such PRC income tax credits are allowed as a deduction of current income tax expenses upon relevant conditions were fulfilled and relevant tax approval was obtained from the relevant tax bureau.

10. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Dividends paid	**72,880**	67,123
Proposed final dividend		
— RMB0.045 (2007: RMB0.033) per share	**111,655**	72,880

The final dividend of RMB0.045 per share has been proposed by the board of directors and is subject to approval of the shareholders of the Company in the forthcoming annual general meeting.

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:

	2008	2007
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**1,511,542**	912,446

	2008	2007
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,208,488**	2,123,042

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

12. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables, net of allowance for bad and doubtful debts *(Note b)*	**2,441,217**	1,884,962
Bills receivable *(Note c)*	**1,268,890**	543,948
Amounts due from customers for contract work	**316,543**	231,831
Loans receivable *(Note g)*	**809,913**	342,668
Other receivables, deposits and prepayments	**3,807,267**	1,477,009
	8,643,830	4,480,418

Notes:

(a) The carrying amounts of the trade receivables and other receivables approximate to their fair values.

(b) The Group normally allowed an average of credit period of 60-180 days to its trade customers. Ageing analysis of trade receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within two months	**1,896,371**	1,305,600
More than two months but within one year	**415,589**	354,485
Between one and two years	**66,335**	158,338
Between two and three years	**30,399**	48,921
Over three years	**32,523**	17,618
	2,441,217	1,884,962

(c) The bills receivable is aged within six months.

(d) Included in the trade receivables are debtors with a carrying amount of approximately RMB526,508,000 (2007: approximately RMB256,835,000) which are past due at the reporting date for which the Group has not provided impairment loss as there has not been a significant change in credit quality. According to specific analysis, the Group believes the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2008, the retention receivables of approximately RMB18,338,000 (2007: approximately RMB18,052,000) and receivables within contractual payment term of approximately RMB6,240,000 (2007: approximately RMB23,900,000) with ageing between one and two years are not past due.

Ageing of trade receivables which are past due but not impaired:

	2008	2007
	RMB'000	*RMB'000*
More than two months but within one year	**403,491**	73,910
Between one and two years	**60,095**	116,386
Between two and three years	**30,399**	48,921
Over three years	**32,523**	17,618
	526,508	256,835

(e) Movement in the allowance for bad and doubtful debts:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	**102,752**	48,393
Additions from acquisition of subsidiaries	**107,648**	4,376
Allowance recognised on receivables	**14,174**	49,983
Balance at end of the year	**224,574**	102,752

(f) Carrying amounts of trade and other receivables are denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
RMB	**8,060,845**	4,362,092
EUR	**13,231**	22,546
USD	**569,754**	95,780
	8,643,830	4,480,418

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the report date.

(g) The amounts are carried interests at interest rates of 7.47%-12% per annum and repayable within one year. The balance is due from independent parties and is unsecured.

(h) As at 31 December 2008, the Group has pledged bills receivable of approximately RMB429,335,000 (2007: approximately RMB288,910,000) to secure bank loans granted to the Group.

13. TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within two months	**3,160,561**	1,376,942
More than two months but within one year	**1,812,458**	860,455
Between one and two years	**465,274**	171,656
Between two and three years	**123,134**	58,690
Over three years	**43,971**	33,514
Trade payables	**5,605,398**	2,501,257
Bills payable	**2,718,783**	628,444
Provision for share appreciation rights	**6,920**	4,033
Amounts due to customers for contract work	**91,723**	99,087
Other payables	**9,600,564**	1,566,767
	18,023,388	4,799,588

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

BUSINESS HIGHLIGHTS

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

CEMENT SEGMENT

China United

	For the year ended 31 December	
	2008	2007
Production volume-cement (in thousand tonnes)	**23,109.3**	13,675.6
Production volume-clinker (in thousand tonnes)	**24,170.0**	15,635.5
Sales volume-cement (in thousand tonnes)	**23,180.0**	13,780.7
Sales volume-clinker (in thousand tonnes)	**9,100.7**	6,717.9
Average selling price-cement (RMB per tonne)	**232.1**	190.3
Average selling price-clinker (RMB per tonne)	**211.0**	158.1

South Cement

	For the year ended 31 December	
	2008	2007
Production volume-cement (in thousand tonnes)	**30,673.4**	2,987.6
Production volume-clinker (in thousand tonnes)	**32,808.3**	3,841.4
Sales volume-cement (in thousand tonnes)	**32,390.6**	3,063.2
Sales volume-clinker (in thousand tonnes)	**14,217.7**	2,240.3
Average selling price-cement (RMB per tonne)	**230.6**	203.5
Average selling price-clinker (RMB per tonne)	**222.2**	187.7

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

	For the year ended 31 December	
	2008	2007
Gypsum boards — BNBM		
Production volume *(in million m^2)*	**56.0**	64.5
Sales volume *(in million m^2)*	**60.5**	59.6
Average selling price *(RMB per m^2)*	**6.80**	6.29
Gypsum boards — Taishan Gypsum		
Production volume *(in million m^2)*	**269.0**	241.6
Sales volume *(in million m^2)*	**262.3**	243.4
Average selling price *(RMB per m^2)*	**4.81**	4.15
Acoustical ceiling panels — BNBM		
Production volume *(in million m^2)*	**6.4**	6.1
Sales volume *(in million m^2)*	**6.1**	6.9
Average selling price *(RMB per m^2)*	**17.99**	17.03
Acoustical ceiling panels — BNBM Suzhou		
Production volume *(in million m^2)*	**4.2**	3.7
Sales volume *(in million m^2)*	**4.6**	3.5
Average selling price *(RMB per m^2)*	**8.87**	7.56
Lightweight metal frames		
Production volume *(in thousand tonnes)*	**29.1**	35.1
Sales volume *(in thousand tonnes)*	**28.3**	38.2
Average selling price *(RMB per tonne)*	**6,974.1**	5,838.0

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

	For the year ended 31 December	
	2008	2007
FRP Products		
Production volume *(in thousand tonnes)*	**18.9**	13.0
Sales volume *(in thousand tonnes)*	**15.4**	16.1
Average selling price *(RMB per tonne)*	**17,982.0**	16,688.0
Glass Fiber Mats		
Production volume *(in million m^2)*	**109.6**	79.7
Sales volume*(in million m^2)*	**108.8**	77.4
Average selling price *(RMB per m^2)*	**0.92**	0.96
Rotor blade		
Production volume *(in blade)*	**2,558.0**	1,012.0
Sales volume *(in blade)*	**2,378.0**	933.0
Average selling price *(RMB per blade)*	**451,215.0**	452,118.0

CHAIRMAN'S STATEMENT

To Shareholders,

2008 has left a distinctive mark on history. No effort was spared in overcoming the adversities arising from large-scale natural disasters and an international financial crisis that are rarely seen in history. In 2008, China's GDP increased by 9%, reflecting relatively fast growth, and resulting in more stable prices, optimised structure and improved livelihood for the people. The total investment in fixed assets grew year-on-year by 25.5%, up 0.7 percentage point from the same period last year. The national building material industry also witnessed a rapid increase in efficiency following an increasingly stable business landscape and improved industry structure. In 2008, with support from the Board and its shareholders, CNBM's management led its staff in overcoming difficulties such as a snow storm disaster, an earthquake and the financial crisis. The Company also steadily pressed ahead with consolidation and restructuring, carried out further management integration and took initiatives in capital operation. More efforts were made to regulate capital expenditure, project construction and production operation. The Company's healthy fundamentals, seamless operation and outstanding performance, would thus ensure stable, rapid and healthy development. I would like to express my heartfelt gratitude to investors who recognise CNBM's enterprise value and market position and thank shareholders for their lasting faith in the Company.

On behalf of the Board, I am pleased to present the Company's 2008 Annual Report and results to all shareholders.

Under IFRS, the Group's consolidated revenue amounted to RMB26,365.2 million for 2008, representing an increase of 150.8% over last year. Profit attributable to equity holders of the Company amounted to RMB1,511.5 million, representing an increase of 65.7% over 2007.

In the cement business segment, the Company continued its consolidation and restructuring efforts during the year. By enlarging its market share in Huaihai and Southern China and improving management integration, continuous synergy has taken shape between enterprises in our core profit regions such as Shandong, Henan, Zhejiang, Shanghai, Jiangsu, Hunan and Jiangxi. Meanwhile, the Company has also made steady progress in terms of its residual heat power generation projects and cement grinding station projects, which reinforced the Group's edge in the regional cement business segment. In the lightweight building material business segment, gypsum board industrial layout has been basically completed. We further consolidated our leading position through establishing our marketing channels and brand building. Key breakthroughs were made in terms of project construction, business scale and industry position. CNBM has become the largest gypsum board producer in Asia. In the composite materials business segment, rotor blade industrial layout has been basically completed. Rotor blade bases in Lianyungang phase III, Shenyang, Jiuquan and

Baotou have all commenced construction, targeting a capacity of 10,000 blades a year. Phase I of our 10,000-tonne carbon fiber project marked one of our breakthroughs in China and on the international technical arena when it commenced production. We have also actively expanded the production scale of our glass fiber business segment. Since China Fiberglass' glass fiber production line was put into production, it has become the largest fiber glass producer in the world. In the engineering service business segment, our cement engineering construction abilities have been enhanced rapidly and comprehensively.

Looking into the year ahead, we see opportunities accompanied by challenges. Though the financial crisis continues to spread, the RMB4 trillion stimulus package offered by the government has boosted domestic demand and has given rise to ample structural adjustments, consolidation, restructuring and management integration opportunities to large conglomerates in the building materials industry, such as CNBM.

In the cement business segment, on top of continued reinforcement of and improvement in regional consolidation and restructuring, the Company will further promote management integration and pragmatic management whilst further rationalizing its business layout to secure steady progress of our projects under construction. In the lightweight building materials business segment, we will increase the range of our principal products to enhance market share and further our expansion into potential markets. In the composite materials business segment, we aim to build the largest rotor blade production base in China and put more effort into developing new products and technical innovation. In the glass fiber business segment, we will intensify our marketing and consolidation efforts, explore new markets, readjust structure and improve profit margin. In the engineering service business segment, we will continue our efforts in consolidating our high-end glass engineering technology operations, competing for market share in the cement technology market and upgrading our core competitiveness.

2009 will be a year of management integration for CNBM. The Company will stand up to adversities with confidence and resolve and steadily foster capital operation and joint reorganization. With stronger management integration, our performance will be brought to a new level. Meanwhile, CNBM aims to spearhead industry restructuring, upgrading, technology innovation as well as energy conservation and emission reduction. We will present outstanding results to our shareholders and overseas investors.

Song Zhiping
Chairman

Beijing, the PRC
21 April 2009

BUSINESS OVERVIEW

The business segments and the major operating entities of each business segment for the Group as at 31 December 2008 are summarised as follows:

Business segments	Major products and services	Major operating entities	Direct and indirect equity interests held by the Company
Cement	NSP cement	China United	100.00%
		South Cement	75.00%
Lightweight building materials	Dry wall and ceiling system	BNBM	52.40%
Glass fiber and composite materials	Rotor blades	China Composites	100.00%
	Glass fiber	China Fiberglass	36.15%
Engineering services	Design and engineering EPC services: Float glass production lines and NSP cement production lines	China Triumph	91.00%

CEMENT SEGMENT

Review of the cement industry in the PRC in 2008

According to the NDRC, the total output of cement in the PRC amounted to approximately 1.39 billion tonnes in 2008, an increase of 5.2% over 2007. Amid the economic downturn, cement output maintained moderate growth while cement price increased over last year. By improving overall operation quality, the cement industry established a new profit record of RMB28 billion.

During the year, outdated production facilities were gradually phased out in the industry. The remarkable results achieved, of which NSP cement clinker accounted for 61%, can be attributed to industry restructuring. According to the preliminary analysis conducted by China Cement Association, outdated production facilities with over 60 million tonnes of capacity were eliminated in 2008, thus contributing to the enforcement of energy saving and emission reduction policies.

In 2008, production concentration increased rapidly through merger, restructuring, consolidation and resource allocation optimization, which boosted restructuring of the cement industry and greatly improved overall conditions within the industry. The core competitiveness of leading producers has significantly improved.

Review of the Group's cement business in 2008

Steady progress in consolidation and restructuring

In 2008, we pushed ahead with our consolidation and restructuring efforts in the Huaihai Economic Zone and the Southeast Economic Zone. By enlarging market share, continuous synergy has taken shape in our core profit regions including Shandong, Henan, Zhejiang, Shanghai, Jiangsu, Hunan and Jiangxi. By the end of 2008, the cement capacity of the Company was over 110 million tonnes.

Seamless development of project construction

Phase III of Zaozhuang China United (daily capacity: 5,000 tonnes), Beichuan China United (daily capacity: 4,800 tonnes) and the technological improvement project for the clinker production line (daily capacity: 3,700 tonnes) belonging to Huaihai China United are under construction. The residual-heat power generation projects of Lunan China United, Nanyang China United, Xuzhou China United, Zaozhuang China United and Qingzhou China United have been completed and integrated into power grid. South Cement's cement product line and auxiliary residual-heat power generation projects were carried out smoothly and in an orderly manner, as scheduled. Deployment and construction of China United and South Cement's auxiliary grinding station projects are progressing actively.

Remarkable effects of management integration

China United further expanded centralized procurement during the year. Centralized procurement methods controlled the increasing cost of raw materials and fuel to a certain extent. By implementing marketing management and marketing integration, China United achieved market synergy for its subsidiaries in the region, thus facilitating the recovery of cement price in Shandong and Xuzhou. It also established a regional market linkage mechanism. The cement product sales features assisted China United in enhancing regulate the cement market by controlling over clinker resources. China United further enforced the supervision of effective pricing strategies. All qualified controlling enterprises under China United were unified in accordance with a single brand strategy by the end of 2008. "CUCC" has become a famous brand in its region.

By actively putting forward the Three Five Management Operation Mode, South Cement upgraded overall management integration. In order to reach the aim of achieving marketing synergy and marketing integration, South Cement has formed a regional integrated sales and marketing platform, established the South Cement (Zhejiang) Market Management Committee and sales and marketing centers in Zhebei, Jiaxing, Sunan and Shanghai in 2008 to reinforce management integration. South Cement strengthened marketing synergy, centralised sales and marketing and procurement of raw materials and fuel, enforced “concurrence” strategy, adjusted cement prices and protected market order. South Cement successfully dealt with coal, electricity and transportation price hikes by transferring the cost pressure to promote the cement price increased three times during recovery in the Zhejiang Province, thus resulting in an increase in corporate profit. Through centralisation of financial management and effective integration of financial resources, South Cement managed to support the capital needs of its subsidiaries. Centralising the decision-making process enabled the standardization of investment policies. Production and operation modes have been optimised through technical synergy and the support of advanced technology.

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

Review of the lightweight building materials industry in the PRC in 2008

As requirements for construction quality become stricter, demand for green, environment friendly and multifunctional new building material will keep growing rapidly. In particular, gypsum board, which is a type of new lightweight board, is becoming commonly used in the global construction field. Use of gypsum boards will grow once government policy banning the use of reformed wall materials such as solid clay bricks is implemented in China.

Review of the Group’s lightweight building materials business in 2008

Strengthening marketing channels and brand building, and strengthening efforts in marketing landmark projects

Following successful bids for Olympic projects in 2007, the Company’s products, such as gypsum boards, lightweight metal frame systems, mineral wool board systems and “Dragon” brand paint were also used in the Shanghai Expo 2010 park project. The Company’s “Dragon” brand products have also been widely used in landmark projects, key national projects, major hotels and high-rise buildings as well as civil servants housing in Shandong, Anhui and Shanxi. During 2008, “Dragon” brand gypsum board was honoured as a “Well-known Trademark in China” by State Administration of Industry and Commerce, and it is also the only “Double-Certificated” brand in the industry which has obtained national certification and judicial accreditation.

Remarkable breakthrough in project construction, scale of operation and industry position

In 2008, the construction of gypsum board production lines in Ninghai of Zhengjiang Province, Taicang of Jiangsu Province, Zhaoqing of Guangdong Province and Guang'an of Sichuan Province were completed in succession. The construction project of gypsum board production lines in Tieling of Liaoning Province, Wuhan of Hubei Province, Tongling of Anhui Province and Yanshi of Henan Province are progressing steadily. The construction of gypsum board industrial bases in China have basically been completed. By the end of 2008, the Group's gypsum board capacity amounted to 500 million square metres, making the Group the No. 1 gypsum board producer in Asia.

Noticeable progress in technology innovation

BNBM has become a domestic leader in terms of independent research and development of gypsum board production line technology. All newly constructed gypsum board production lines have adopted environment friendly production technology for disulphuric gypsum. Accordingly, the Company has successfully mastered mainstream gypsum board production line technology. The Company possesses some of the world's most advanced gypsum board production technology.

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

Review of the glass fiber and composite materials industry in the PRC in 2008

Composite materials industry

According to the China Composites Industry Association, with the development of renewable energy, the rotor blade industry will witness huge potential for development. In 2008, more than 5 enterprises were engaged in the bulk production of rotor blades, with an output of 6 million KW.

Glass fiber industry

According to the China Building Materials Association, output from the glass fiber industry maintained its rapid growth momentum in 2008, with six glass fiber enterprises including Jushi, Taishan, Chongqing, OCV, PPG and JM accounting for 84% of global glass fiber production capacity. Such domination of the glass fiber industry is expected to continue in the near future. In the second half of 2008, the effect of the global financial crisis caused prices to decline and export growth to slow down.

Review of the Group's glass fiber and composite materials segment in 2008

Composite materials business

In 2008, China Composites put considerable effort into the deployment of nationwide rotor blades industry bases. Following the construction of the Lianyungang wind power project, wind power parks in Shenyang, Jiuquan and Baotou also commenced construction. These projects are expected to commence production in tandem in 2009, providing blades to wind fields nearby. With the successful roll-out of various new type blades and successful development of the 2.0MW mould, China Composites is now equipped with its own core technology for the manufacture of blades, thus enhancing its competitiveness. Whilst developing its rotor blade technology, China Composites has also managed to gain market share in the traditional FRP products market, and has emerged as a leading provider of large field FRP containers in domestic key projects.

As at the end of 2008, China Composites had produced 2,558 pieces rotor blades, including 201 pieces of 2MW rotor blades.

Glass fiber business

Amid fierce market competition and grim macroeconomic conditions caused by the global financial crisis, China Fiberglass has managed to overcome the adverse effects of raw material and fuel price hikes, appreciating Renminbi and a lower tax refund rate. It achieved stable and rapid growth in its businesses by proactively expanding the production scale of its principal business and steadily implementing structural adjustments. In July 2008, China Fiberglass' capacity has reached 900,000 tonnes and became the world's largest glass fiber producer when it put its alkali-free glass fiber direct-melt furnace production line, with a capacity of 140,000 tonnes per annum into operation.

ENGINEERING SERVICES SEGMENT

Review of the Group's engineering service business in 2008

Expediting global expansion and further strengthening competitiveness

In 2008, confronted with various adverse factors, China Triumph ensured the full performance of external contracts by entering into certain arrangements. Leveraging upon its comprehensive advantages, it entered into a number of contracts relating to residual-heat power generation projects for its float glass as well as overseas EPC projects, technical service and foreign trade. As a driving force in the international cement engineering industry, China Triumph established its international brand by virtue of its high technology, high quality and adherence to the performance of its contracts. Accordingly, its cement engineering construction capabilities were enhanced rapidly.

Continuing technological progress and enhancing proprietary innovation

In 2008, China Triumph attached more importance to development of relevant technologies and products, and commercialization of research findings in relation to energy conservation and emission reduction as well as sustainable development. As a result, further progress was made in the research and development of relevant new technologies and products. China Glass New Materials Science and Technology Industry Park was constructed as scheduled. Upon completion of construction, it will become China's largest glass new materials industry cluster and its proprietary innovation achievements will be greatly enhanced.

FINANCIAL REVIEW

In 2008, our revenue increased by 150.8% to RMB26,365.2 million from RMB10,514.4 million in 2007. Our profit attributable to equity holders of the Company increased by 65.7% from RMB912.4 million in 2007 to RMB1,511.5 million in 2008.

Revenue

Our revenue for the year 2008 amounted to RMB26,365.2 million, representing an increase of 150.8% from RMB10,514.4 million in 2007, primarily due to an increase of RMB9,948.9 million in revenue from South Cement, an increase of RMB3,647.3 million in revenue from China United, an increase of RMB1,135.6 million in revenue from our engineering services segment, an increase of RMB767.7 million in revenue from our glass fiber and FRP products segment and an increase of RMB233.0 million in revenue from our lightweight building materials segment.

Cost of sales

Our cost of sales in 2008 amounted to RMB21,851.7 million, representing an increase of 156.5% from RMB8,519.3 million in 2007, primarily due to an increase of RMB8,834.0 million in cost of sales from South Cement, an increase of RMB2,870.1 million in cost of sales from China United, an increase of RMB785.3 million in cost of sales from our engineering services segment, an increase of RMB501.6 million in cost of sales from our glass fiber and FRP products segment and an increase of RMB217.6 million in cost of sales from our lightweight building materials segment.

Other income

Other income increased by 72.3% to RMB1,186.6 million in 2008 from RMB688.5 million in 2007, primarily due to an increase in VAT refund of the Group to RMB484.0 million for the year 2008 from RMB271.3 million in 2007, an increase in government grants for the year 2008 to RMB475.8 million from RMB205.8 million in 2007, an increase in discount on acquisition of interests in subsidiaries for the year 2008 to RMB104.4 million from RMB5.2 million in 2007 and an increase in net rental income for the year 2008 to RMB57.0 million from RMB23.1 million in 2007, yet being partially offset by the decrease of RMB197.4 million in net gain from fair value of held-for-trading investments in 2008.

Selling and distribution costs

Selling and distribution costs increased by 68.6% to RMB884.0 million in 2008 from RMB524.3 million in 2007, primarily due to an increase of RMB124.3 million in transportation costs as a result of our rising sales volume, an increase of RMB119.3 million in packaging fees.

Administrative and other expenses

Administrative and other expenses increased by 131.5% to RMB1,436.8 million in 2008 from RMB620.7 million in 2007, primarily due to an increase of RMB107.4 million in salary, an increase of RMB104.3 million in depreciation cost, an increase of RMB67.0 million in tax (including stamp tax, property tax and land use tax), an increase of RMB31.9 million in emission fees, an increase of RMB31.6 million in amortization of intangible assets and an increase of RMB28.6 million in labour insurance.

Finance costs

Finance costs increased by 247.3% to RMB1,368.0 million in 2008 from RMB393.9 million in 2007, primarily due to the completion of our issuance of domestic short-term debenture on 28 July 2008 with a total amount of RMB2.4 billion with a maturity of one year and our increased short-term borrowings which were required to support the increase in the business volume in each of our four business segments.

Share of profit of associates

Our share of profit of associates decreased by 32.7% to RMB155.3 million in 2008 from RMB230.8 million in 2007, primarily due to the decrease in the profits of our associate China Fiberglass. The decrease in China Fiberglass's net profit was mainly attributable to the decrease in fair value of held-for-trading investments.

Income tax expense

Income tax expense increased by 29.2% to RMB293.1 million in 2008 from RMB226.8 million in 2007, primarily due to the increase in profit before taxation.

Minority interests

Minority interests increased by 53.1% to RMB361.8 million in 2008 from RMB236.3 million in 2007, primarily due to the increase in operating profit in each of our business segments.

Profit attributable to equity holders of the Company

Profit attributable to the equity holders of the Company increased by 65.7% to RMB1,511.5 million in 2008 from RMB912.4 million in 2007. Net profit margin decreased to 5.7% in 2008 from 8.7% in 2007.

South Cement

Acquisition

The Group established South Cement in September 2007. For the year ended 31 December 2007, 9 subsidiaries were included in the consolidated financial statements of South Cement, of which only the operating results for the four months from 1 September 2007 to 31 December 2007 were included for the year ended 31 December 2007. The following table sets out the revenue, cost of sales, gross profit and operating profit of the above nine corporations for the two periods.

	The above nine corporations as at 31 December *RMB in millions*	
	2008	2007
Revenue	**4,367.1**	1,036.9
Cost of sales	**3,944.0**	911.2
Gross profit	**423.1**	125.7
Operating profit	**378.5**	93.2

For the year ended 31 December 2008, 46 subsidiaries were included in the consolidated financial statements of South Cement. The following table sets out the revenue, cost of sales, gross profit and operating results of the 37 corporations newly included by South Cement in 2008 for the year ended 31 December 2008 and their respective contribution to South Cement:

	RMB in millions	**Total percentage Of the above thirty-seven corporations in South Cement**
Revenue	**6,180.5**	56.3
Cost of sales	**5,499.8**	56.4
Gross profit	**680.7**	54.9
Operating profit	**671.9**	63.2

In addition to the reasons stated below, changes in the operating results of South Cement of the Group for the year ended 31 December 2008 as compared with the year ended 31 December 2007, were also attributable to the inclusion of results of the newly acquired subsidiaries.

Revenue

For the year ended 31 December 2008, the revenue of South Cement increased by 959.5% from RMB1,036.9 million for the year ended 31 December 2007 to RMB10,985.8 million, primarily due to the increase of selling prices.

Cost of Sales

The cost of sales of South Cement for the year ended 31 December 2008 amounted to RMB9,745.2 million, representing an increase of 969.5% from RMB911.2 million for the year ended 31 December 2007, mainly resulting from the increase of cost of sales caused by a hike in coal price.

Gross profit and gross profit margin

Gross profit of South Cement increased by 887.0% to RMB1,240.6 million for the year ended 31 December 2008 from RMB125.7 million for the year ended 31 December 2007. Gross profit margin of South Cement decreased from 12.1% for the year ended 31 December 2007 to 11.3% for the year ended 31 December 2008, mainly resulting from the increase of cost of sales caused by a hike in coal price which was partially offset by higher selling prices.

Operating profit

Operating profit for South Cement increased by 1,039.4% to RMB1,062.4 million for the year ended 31 December 2008 from RMB93.2 million for the year ended 31 December 2007. Operating profit margin for the segment increased to 9.7% for the year ended 31 December 2008 from 9.0% for the year ended 31 December 2007, primarily due to the increase in other income including VAT refund and government grants as partially offset by declined gross profit margin.

China United

Acquisition and addition of new production lines

The acquisition by the Group's Dezhou China United, Qufu China United Company Limited (曲阜中聯水泥有限公司), Linyi China United Company Limited (臨沂中聯水泥有限公司), Rizhao Port China United Company Limited (日照中聯港口水泥有限公司), Xichuan China United, Wolong China United Cement Company Limited (臥龍中聯水泥有限公司) and Jiaxian China United Cement Company Limited (郟縣中聯水泥有限公司) were completed in 2008. A 1 million-tonne grinding station of Xixia China United commenced production on 1 February 2008. The operating results of the eight companies mentioned above have been included in the financial results for the year ended 31 December 2008 but were not included in the financial results for the year ended 31 December 2007. The following table sets out the revenue, cost of sales, gross profit and operating results of the above eight companies and the share of relevant items in China United for the year ended 31 December 2008.

	RMB in millions	Total percentage of the above eight corporations in China United
Revenue	**1,904.9**	25.9
Cost of sales	**1,535.4**	26.4
Gross profit	**369.5**	23.8
Operating profit	**294.0**	23.4

In addition, a 6,000t/d clinker production line in Qingzhou China United commenced production in May 2007, of which only the operating results for the eight months from 1 May 2007 to 31 December 2007 were included for the year ended 31 December 2007. The acquisition of Taishan Cement was completed on 30 June 2007, of which only the operating results for the six months from 1 July 2007 to 31 December 2007 were included for the year ended 31 December 2007. The acquisition of Rizhao China United was completed on 31 October 2007, of which only the operating results for the two months from 1 November 2007 to 31 December 2007 were included for the year ended 31 December 2007. The following table sets out the revenue, cost of sales, gross profit and operating profit of the above three corporations for the two periods.

	The above three corporations as at 31 December *RMB in millions*	
	2008	2007
Revenue	**1,503.6**	623.0
Cost of sales	**1,209.7**	491.6
Gross profit	**293.9**	131.4
Operating profit	**251.0**	134.6

Save for the reasons stated below, changes in the operating results of China United for the year ended 31 December 2008 as compared with the year ended 31 December 2007 were also due to the inclusion of results of the above mentioned new subsidiaries and newly operational subsidiaries.

Revenue

Revenue for China United increased by 98.1% to RMB7,363.7 million for the year ended 31 December 2008 from RMB3,716.4 million for the year ended 31 December 2007, mainly attributable to a slight increase in the average selling price of cement products.

Cost of sales

Cost of sales of China United increased by 97.6% to RMB5,810.2 million for the year ended 31 December 2008 from RMB2,940.1 million for the year ended 31 December 2007, mainly attributable to an increase in cost of sales resulting from rising coal prices and electricity tariffs.

Gross profit and gross profit margin

Gross profit of China United increased by 100.1% to RMB1,553.5 million for the year ended 31 December 2008 from RMB776.3 million for the year ended 31 December 2007. Gross profit margin of China United increased from 20.9% for the year ended 31 December 2007 to 21.1% for the year ended 31 December 2008, mainly resulting from the increased selling price as partially offset by an increase of cost of sales caused by a hike in coal price and electricity tariffs.

Operating profit

Operating profit for China United increased by 86.0% to RMB1,258.4 million for the year ended 31 December 2008 from RMB676.4 million for the year ended 31 December 2007. Operating profit margin for the segment decreased to 17.1% for the year ended 31 December 2008 from 18.2% for the year ended 31 December 2007.

Lightweight Building Materials Segment

As the 80% equity interests in CNBM Investment's lightweight building materials segment were disposed to the Company on 1 January 2008, the operating results of CNBM Investment for the year ended 31 December 2008 and for the year ended 31 December 2007 were not included in the lightweight building materials segment.

Revenue

Revenue for our lightweight building materials segment increased by 10.9% to RMB2,365.7 million for year 2008 from RMB2,132.7 million for year 2007. It was mainly attributable to the increases in revenue for gypsum boards, our main product, due to the increase in their selling prices and sales volume.

The table below sets out the revenue for the three major products of the Group's dry wall and ceiling systems respectively for year 2007 and 2008:

	For the year ended 31 December		
	2008	2007	Change
	(RMB in millions)		*(%)*
Gypsum boards	**1,672.9**	1,385.1	20.8
Acoustical ceiling panels	**151.0**	143.7	5.1
Lightweight metal frames	**197.2**	222.8	(11.5)
Total	**2,021.1**	1,751.6	15.4

Cost of sales

Cost of sales for our lightweight building materials segment increased by 12.7% to RMB1,924.0 million for year 2008 from RMB1,706.5 million for year 2007. It was mainly due to an increase in costs of sales arising from an increase in sales volume of gypsum boards, our main product.

The table below sets out the cost of sales for the three major products of the Group's dry wall and ceiling systems respectively for year 2007 and 2008:

	For the year ended 31 December		
	2008	2007	Change
	(RMB in millions)		*(%)*
Gypsum boards	**1,294.2**	1,017.3	27.2
Acoustical ceiling panels	**138.1**	119.1	15.9
Lightweight metal frames	**162.6**	175.2	(7.2)
Total	**1,594.9**	1,311.6	21.6

Gross profit and gross profit margin

Gross profit for our lightweight building materials segment increased by 3.6% to RMB441.7 million for the year 2008 from RMB426.3 million for the year 2007.

The table below sets out the gross profit for the three major products of the Group's dry wall and ceiling systems respectively for year 2007 and 2008:

	For the year ended 31 December		
	2008	2007	Change
	(RMB in millions)		*(%)*
Gypsum boards	**378.7**	367.8	3.0
Acoustical ceiling panels	**12.9**	24.6	(47.7)
Lightweight metal frames	**34.6**	47.6	(27.2)
Total	**426.2**	440.0	(3.1)

Gross profit margin for our lightweight building materials segment decreased to 18.7% for year 2008 from 20.0% for year 2007, mainly attributable to a decline in gross profit margin because of the increase in the price of raw materials.

Operating profit

Operating profit for our lightweight building materials segment decreased by 8.7% to RMB243.5 million for year 2008 from RMB266.6 million for year 2007. Operating profit margin of the segment decreased from 12.5% for year 2007 to 10.3% for year 2008, which was principally due to a decline in gross profit margin.

Glass Fiber and Composite Materials Segment

As China Fiberglass is our associate but not our subsidiary, operating results of China Fiberglass are not consolidated with ours and are not included in the results of our glass fiber and composite materials segment. Unless otherwise indicated, any reference to results of the segment has excluded those of China Fiberglass.

Revenue

Revenue for our glass fiber and composite materials segment increased by 98.2% to RMB1,549.7 million for year 2008 from RMB782.0 million for year 2007. This was primarily due to an increase of RMB705.0 million in revenue from FRP pipes, tanks business and rotor blade, an increase of RMB25.4 million in revenue of glass fiber mats and an increase of RMB31.8 million in revenue of shipping business.

Cost of sales

The cost of sales for our glass fiber and composite materials segment increased by 86.6% to RMB1,080.6 million for year 2008 from RMB579.0 million for year 2007. This was primarily due to an increase of RMB445.8 million in cost of sales from FRP pipes and tanks business and rotor blade, an increase of RMB19.6 million in cost of sales of glass fiber mats and an increase of RMB28.2 million in cost of sales of shipping business.

Gross profit and gross profit margin

Gross profit for our glass fiber and composite materials segment increased by 131.1% to RMB469.1 million for year 2008 from RMB203.0 million for year 2007. Gross profit margin for our glass fiber and composite materials segment increased to 30.3% for year 2008 from 26.0% for year 2007. This was mainly attributable to an increase in gross profit margin derived from our rotor blades with the most significant contribution in revenue.

Operating profit

Operating profit for our glass fiber and composite materials segment increased by 178.3% to RMB285.8 million for year 2008 from RMB102.7 million for year 2007. The operating profit margin for the segment increased to 18.4% for year 2008 from 13.1% for year 2007, primarily due to an increase in the gross profit margin of such segment.

Engineering Services Segment

Revenue

Revenue for our engineering services segment increased by 53.9% to RMB3,244.1 million for year 2008 from RMB2,108.5 million for year 2007, primarily due to an increase in additional and ongoing EPC projects in 2008. For year 2008, the Group provided services pursuant to 45 EPC contracts as compared with 21 contracts in 2007.

Cost of sales

Cost of sales for our engineering services segment increased by 45.1% to RMB2,528.0 million for year 2008 from RMB1,742.7 million for year 2007, primarily due to an increase in additional and ongoing EPC projects in 2008.

Gross profit and gross profit margin

Gross profit for our engineering services segment increased by 95.7% to RMB716.1 million for year 2008 from RMB365.8 million for year 2007, primarily due to an increase in additional and ongoing EPC projects in 2008. Gross profit margin for our engineering services segment increased to 22.1% for year 2008 from 17.4% for year 2007, mainly attributable to the increase in the gross profit margin of overseas projects with significant contribution to revenue.

Operating profit

Operating profit for our engineering services segment increased by 111.0% to RMB557.9 million for year 2008 from RMB264.3 million for year 2007, and operating margin for the segment increased to 17.2% for year 2008 from 12.5% for year 2007, primarily due to its increased gross profit margin and a less significant increase in administrative and other expenses as compared with that of gross profit.

Liquidity and Financial Resources

As at 31 December 2008, the Group had aggregate unused banking facilities of approximately RMB27,318.6 million.

The table below sets out our borrowings as at the dates indicated:

	As at 31 December	
	2008	2007
	(RMB in millions)	
Bank loans	**21,767.0**	12,352.3
Other borrowings from non-financial institutions	**3,480.8**	1,029.0
	25,247.8	13,381.3

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

	As at 31 December	
	2008	2007
	(RMB in millions)	
Borrowings are repayable as follows:		
within one year or on demand	**17,472.8**	8,663.6
between one and two years	**3,669.9**	1,743.7
between two and three years	**1,651.4**	914.0
between three and five years (inclusive of both years)	**1,229.7**	900.5
over five years	**1,224.0**	1,159.5
Total	**25,247.8**	13,381.3

As at 31 December 2008, bank loans in the amount of RMB4,410.7 million were secured by assets of the Group with a total carrying value of RMB5,129.3 million.

As at 31 December 2008 and 31 December 2007, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 42.9% and 44.8%, respectively.

Exchange Risks

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

Contingent Liabilities

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

	As at 31 December	
	2008	2007
	(RMB in millions)	
Used by connected parties before acquisition for subsidiaries guarantee to banks, in respect of bank credits	**69.0**	597.4
Guarantee to banks, in respect of bank credits used by an independent third party	**259.3**	920.3
Total	**328.3**	1,517.7

Capital Commitments

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

	As at 31 December	
	2008	2007
	(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	**212.9**	1,028.8
Capital expenditure of the Company in respect of acquisition of land use right (contracted for but no provisions have been made)	**6.5**	—
Capital expenditure of the Company in respect of equity acquisition contracted for but no provisions have been made	**1,074.6**	2,300.5

Capital Expenditures

The following table sets out our capital expenditures for the year ended 31 December 2008 by segment:

	For the year ended 31 December 2008	
	(RMB in millions)	*% of total*
Cement	3,461.8	70.9
Among:China United	1,189.3	24.4
South Cement	2,272.5	46.5
Lightweight building materials	1,029.0	21.1
Glass fiber and FRP products	206.4	4.2
Engineering Services	54.4	1.1
Others	133.9	2.7
Total	4,885.5	100

Bank Balances and Cash

Our bank balances and cash were RMB3,726.3 million as at 31 December 2008 and RMB3,150.6 million as at 31 December 2007.

Cash Flow from Operating Activities

For year 2008, our net cash inflow generated from operating activities was RMB4,587.5 million. Such net cash inflow was primarily due to RMB4,647.1 million of cash flow from operating activities before the change in working capital, primarily offset by a RMB499.7 million increase in trade receivables and other receivables and a RMB865.9 million increase in inventories.

Cash Flow from Investing Activities

For year 2008, our net cash outflow from investing activities was RMB10,644.4 million, which was primarily due to expenditure of RMB3,844.9 million for acquisition of subsidiaries, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB3,898.8 million in total and a RMB969.7 million increase in deposits paid.

Cash Flow from Financing Activities

For year 2008, we had a net cash inflow from financing activities amounting to RMB6,635.6 million, primarily attributable to a total of RMB34,019.8 million in new borrowings, partially offset by RMB25,976.4 million for repayment of borrowings.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules for the period after the listing of our H shares on 23 March 2006 (the "Listing Date") and up to the financial year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2008, the Company did not issue any securities, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company ("securities" shall have the meaning as defined in the Listing Rules).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a set of code no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Company confirms that each of the Directors has complied with the Model Code during the period from the Listing Date to 31 December 2008.

AUDIT COMMITTEE

The members of the audit committee of the Company formed pursuant to Appendix 14 of the Listing Rules include Mr. Chi Haibin (Chairman), Mr. Zhou Daojiong and Ms. Cui Lijun. The principal duties of the audit committee include reviewing the Company's financial reporting procedures, internal control and risk management. During the reporting period, the audit committee has operated in accordance with Appendix 14 to the Listing Rules, including reviewing the Group's financial statements and results for the year ended 31 December 2008.

DIVIDENDS

The Board recommends the distribution of a final dividend of RMB0.045 per share (pre-tax) for the period from 1 January 2008 to 31 December 2008 (2007: RMB0.033 (pre-tax) per share), representing a total amount of RMB111,654,687.29 (pre-tax).

The proposed final dividend is subject to approval at the annual general meeting to be held on Friday, 26 June 2009. Shareholders whose names appear on the registers of members on Friday, 26 June 2009 will be eligible for the final dividend. The registers of members of the Company will be closed from Wednesday, 27 May 2009 to Friday, 26 June 2009 (both inclusive), during such period no share transfer will be registered. In order to qualify for the final dividend mentioned above, holders of H shares whose transfers have not been registered shall deposit the instrument(s) of transfer and the relevant share certificate(s) at Tricor Investor Services Limited, the Company's H Share Registrar, not later than 4:30 p.m. on Tuesday, 26 May 2009 to facilitate the share transfer registration.

SIGNIFICANT EVENTS

1. NON-EXEMPT CONNECTED TRANSACTIONS

Acquisition of Dezhou Daba's assets

On 30 January 2008, Dezhou China United, an indirect non-wholly owned subsidiary of the Company, entered into an asset acquisition agreement to acquire certain assets from Dezhou Daba for a consideration of RMB830 million. As Dezhou Daba is a subsidiary of Dezhou Jinghua which in turn is a substantial shareholder of Dezhou China United, it is an associate of a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules.

Further details regarding this transaction have been disclosed in the announcement and circular issued by the Company on 30 January 2008 and 19 February 2008 respectively.

Acquisition of assets of Henan Xichuan

On 30 January 2008, Xichuan China United, an indirect non-wholly owned subsidiary of the Company, entered into an asset acquisition agreement to acquire certain assets from Henan Xichuan for a consideration of RMB107 million. As Henan Xichuan is a substantial shareholder of Xichuan China United, it is a connected person of the Company under the Listing Rules.

Further details regarding this transaction have been disclosed in the announcement and circular issued by the Company on 30 January 2008 and 19 February 2008 respectively.

2. MATERIAL TRANSACTIONS

Establishment of Zhongfei Investment

On 15 January, 2008, the Company and the China-Africa Development Fund (中非發展基金有限公司) entered into the Investment Agreement with a view to establishing of Zhongfei Investment as a manufacturer and seller of cement and other building material products in Africa. The registered capital of Zhongfei Investment is RMB1 billion. Upon completion of the capital contribution Zhongfei Investment was held as to 60% by the Company and 40% by China-Africa Development Fund.

Details of the establishment of Zhongfei Investment were disclosed in the relevant announcement dated 16 January 2008 and the circular dated 4 February 2008 issued by the Company. Zhongfei Investment is still in the process of being established.

Issue of Short-Term Debenture in the PRC

The 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 was considered and approved at the EGM held on 30 May 2008. The Issue of Debenture was duly registered with National Association of Financial Market Institutional Investors on 16 July 2008. Pursuant to approval of the Issue of Debenture on 24 July 2008, the Company issued a short-term debenture in the 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 issued by the Company. As at the date of this announcement, the Issue of Debenture has been completed.

Change in Auditors

On 12 August 2008, the Company published an announcement in relation to the change in auditors for the financial year ending 31 December 2008. Pursuant to the authorisation granted at the annual general meeting, the Board decided to appoint Deloitte Touche Tohmatsu to review the Company's financial results for the six months ended 30 June 2008.

However, due to the reasons described in the section headed "Director's Report-Auditors", the Company was required and has appointed Vocation International Certified Public Accountant Co., Ltd. as its auditor in the PRC and UHY Vocation HK CPA Limited as its auditor in Hong Kong, for the financial year ended 31 December 2008.

Details were disclosed in the announcement dated 12 August 2008 and the 2008 Interim Report.

Placing of New H Shares

On 5 February 2009, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and China International Capital Corporation Hong Kong Securities Limited, in relation to the placing of an aggregate of 298,555,032 H Shares of RMB1.00 per Share in the share capital of the Company at a gross price of HK$7.85 per Placing Share and a net price of HK$7.69 per Placing Share. The Placing Shares represented approximately 33.1% of the existing issued H share capital of the Company and approximately 24.9% of the issued H share capital of the Company as enlarged by the issue of the New Shares. The net proceeds of the Placing of the New Shares were approximately HK$2,093,898,229 after deducting the commission and expenses of the Placing.

Details of the Placing of the New H Shares were disclosed in the announcements dated 30 January 2008, 27 March 2008 and 5 February 2009, the circular dated 11 February 2008 and the 2008 Interim Report published by the Company. As at the date of this announcement, the Placing of New H Shares has been completed.

Establishment of North Cement

On 6 March 2009, the Company, Liaoyuan Jingang Cement Company Limited and Hony Capital Management (Tianjin) (Limited Partnership) entered into the Capital Contribution Agreement with a view to establishing North Cement which will become the flagship company of the Group for developing the Group's cement business in the North Region. Upon completion of the capital contribution, North Cement will have a registered capital of RMB1 billion and will be held as to 45% by the Company, as to 45% by Liaoyuan Jingang Cement Company Limited and as to 10% by Hony Capital Management (Tianjin) (Limited Partnership).

Details of the establishment of North Cement were disclosed in the announcement of the Company dated 6 March 2009.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 39,090 employees.

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

The Company endeavours to provide training to its employees. On-job training and continuous training plans include management skills and technical training, overseas communication plans and other courses. The Company also encourages employees to improve themselves by offering scholarships.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE HKSE AND THE COMPANY

In accordance with the requirements under the Listing Rules which are applicable to the reporting period, the 2008 Annual Report containing all information about the Company set out in this preliminary announcement of results for the year ended 31 December 2008 will be posted on the website of the Stock Exchange (website: http://www.hkexnews.hk) on or before 30 April 2009. This information will also be published on the website of the Company (website: http://cnbm.wsfg.hk).

By Order of the Board
China National Building Material Company Limited
Song Zhiping
Chairman

Beijing, the PRC
21 April 2009

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

* *For identification only*