CNBM

China National Building Material Company Limited*

(Stock Code: 3323)

2008 Interim Report

*For identification only

Financial and Business Highlights

	30 June 2008	31 December 2007
	(RMB in millions)	
Bank balances and cash	**3,003**	3,151
Total assets	**47,272**	29,880
Equity attributable to equity holders of the Company	**7,857**	7,386

	For the six months ended 30 June	
	2008	2007
	(RMB in millions)	
Revenue	**9,824**	3,644
Profit after taxation	**707**	337
Profit attributable to equity holders of the Company	**546**	256
Cash flows from operating activities	**716**	155
Sales volume		
Cement sold by China United (in thousand tonnes)	**10,820**	5,285
Clinker sold by China United (in thousand tonnes)	**4,886**	2,470
Cement sold by South Cement (in thousand tonnes)	**10,362**	
Clinker sold by South Cement (in thousand tonnes)	**5,142**	
Gypsum board (in million m^2)	**137**	128
Revenue from engineering service (RMB in millions)	**1,157**	823
Rotor blade (in blade)	**957**	189
Glass fiber yarn (in thousand tonnes)	**262**	191
Selling price		
Cement sold by China United (RMB per tonne)	**210.3**	189.0
Clinker sold by China United (RMB per tonne)	**197.1**	156.0
Cement sold by South Cement (RMB per tonne)	**226.3**	
Clinker sold by South Cement (RMB per tonne)	**212.8**	
Gypsum board		
— BNBM (RMB per m^2)	**6.75**	6.17
— Taihe (RMB per m^2)	**4.53**	4.08
Rotor blade (RMB/blade)	**460,880**	428,339
Analysis of ratios		
Gross profit margin and net profit margin		
Gross profit margin	**18.3%**	19.9%
Net profit margin	**5.6%**	7.0%
Growth rate		
Revenue	**169.6%**	34.8%
Profit attributable to equity holders of the Company	**112.8%**	N/A
— excluding loss from share conversion	**112.8%**	32.9%
Others		
Return on capital	**6.9%**	5.8%
Earnings per share-basic	**0.247**	0.124

Contents

Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Cui Lijun
Huang Anzhong
Zuo Fenggao

Independent Non-executive Directors

Zhang Renwei
Zhou Daojiong
Chi Haibin
Lau Ko Yuen, Tom

Audit Committee

Chi Haibin *(Chairman)*
Zhou Daojiong
Cui Lijun

Remuneration Committee

Zhang Renwei *(Chairman)*
Zhou Daojiong
Song Zhiping

Supervisors

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

Corporate Information

Secretary of the Board	:	Chang Zhangli
Joint Company Secretaries	:	Chang Zhangli Lo Yee Har Susan (FCS, FCIS)
Authorized Representatives	:	Song Zhiping Chang Zhangli
Alternate Authorized Representative	:	Lo Yee Har Susan (FCS, FCIS)
Qualified Accountant	:	Pei Hongyan (FCCA)
Registered address	:	No. A-11 Sanlihe Road Haidian District, Beijing 100037 PRC
Principal Place of Business in the PRC	:	17th Floor China National Building Material Plaza No. A-11 Sanlihe Road Haidian District, Beijing PRC
Postal Code	:	100037
Place of Business in Hong Kong	:	Level 28 Three Pacific Place 1 Queen's Road East Hong Kong
Principal Bankers	:	China Construction Bank, Beijing Branch Bank of Communications, Beijing Branch Shanghai Pudong Development Bank, Beijing Branch
PRC Legal Adviser	:	Jingtian & Gongcheng Law Office 15th Floor, Union Plaza 20 Chaoyangmenwai Dajie Beijing PRC
Hong Kong Legal Adviser	:	Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
International Auditor	:	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
H Share Registrar in Hong Kong	:	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Stock Code	:	3323
Company Website	:	http://cnbm.wsfg.hk www.cnbmltd.com

Definitions

In this Interim Report, unless the context otherwise requires, the following terms shall have the meaning set out below:

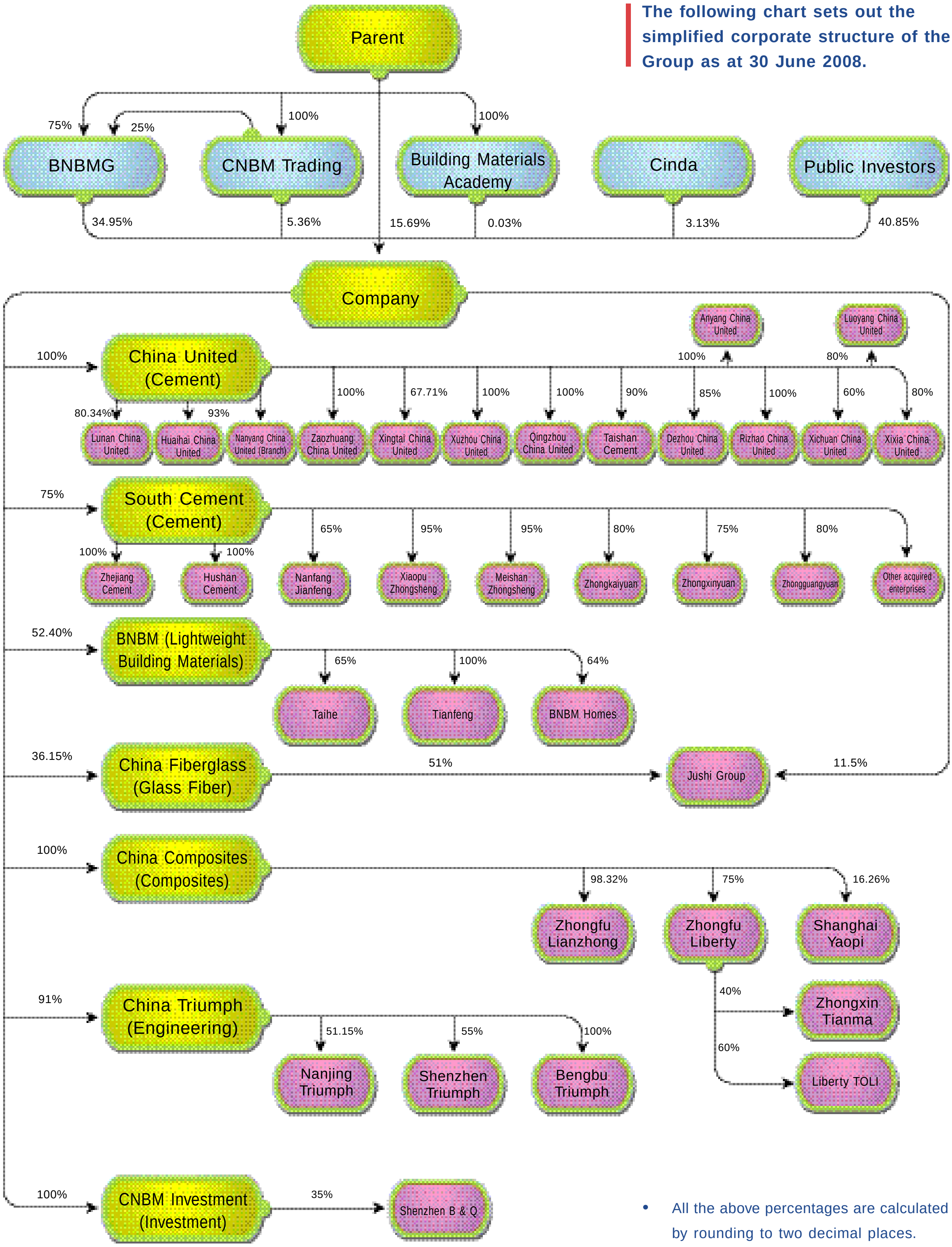
"BNBM"	北新集團建材股份有限公司 (Beijing New Building Material Company Limited)
"BNBMG"	北新建材(集團)有限公司 (Beijing New Building Material (Group) Company Limited)
"Board"	the board of directors of the Company
"Building Materials Academy"	中國建築材料科學研究總院 (China Building Materials Academy)
"China Composites"	中國複合材料集團有限公司 (China Composites Group Corporation Limited)
"China Fiberglass"	中國玻纖股份有限公司 (China Fiberglass Company Limited)
"China Triumph"	中國建材國際工程有限公司 (China Triumph International Engineering Company Limited)
"China United"	中國聯合水泥集團有限公司 (China United Cement Group Corporation Limited)
"Cinda"	中國信達資產管理公司 (China Cinda Asset Management Corporation)
"CNBM Trading"	中建材集團進出口公司 (China National Building Material Import and Export Company)
"Company"	中國建材股份有限公司 (China National Building Material Company Limited)
"Directors"	the members of the board of directors of the Company
"EPC"	turn-key project services that include engineering, procurement and construction
"Group" and "we" and "us"	the Company and, except where the context otherwise requires, all its subsidiaries
"HSCEI"	Hang Seng China Enterprises Index
"Huaihai Economic Zone"	as identified by the National Bureau of Statistics of China, Huaihai Economic Zone is an area of approximately 178,100 square kilometers covering 20 municipalities（地級市）located in southern Shandong, northern Jiangsu, eastern Henan and northern Anhui
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
"Nanyang China United"	中國聯合水泥集團有限公司南陽分公司 (China United Nanyang Company)

Definitions

"NBSC"	National Bureau of Statistics of China
"NDRC"	National Development Reform Commission of the People's Republic of China
"NSP"	new suspension preheater dry process
"Parent"	中國建築材料集團公司 (China National Building Material Group Corporation)
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC"	the People's Republic of China
"Qingzhou China United"	青州中聯水泥有限公司 (Qingzhou China United Cement Company Limited)
"Reporting Period"	the period from 1 January 2008 to 30 June 2008
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"South Cement"	南方水泥有限公司 (South Cement Company Limited)
"Southeast Economic Zone"	the Southeast Economic Zone is situated in the southeast region of the PRC which includes but is not limited to Shanghai, Zhejiang, Jiangsu, Jiangxi and Hunan
"State" or "PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisors"	the members of the supervisory committee of the Company
"Taihe"	泰山石膏股份有限公司 (Taishan Gypsum Company Limited), formerly called 山東泰和東新股份有限公司 (Shandong Taihe Dongxin Company Limited)
"Tianfeng"	蘇州北新礦棉板有限公司 (BNBM Suzhou Mineral Fiber Ceiling Company Limited), formerly called 蘇州天豐新型建材有限責任公司(Suzhou Tianfeng New Building Material Company Limited)
"Three Five Management Operation Mode"	Five N (operation mode), i.e. integration, modelization, institutionalization, processisation and digitalisation. Five C (management mode), i.e. marketing centralisation, procurement centralisation, financial centralisation, technical centralisation, investment decision-making centralization. Five I (five operation indices, key operation indices) , i.e. net profit, selling price and sales volume, cost, cash flow, gearing ratio
"Zaozhuang China United"	棗莊中聯水泥有限公司 (Zaozhuang China United Cement Company Limited)

Simplified Corporate Structure of the Group

The following chart sets out the simplified corporate structure of the Group as at 30 June 2008.



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

Financial Highlights

The Group's financial results highlights at 30 June 2007 and 30 June 2008 are as follows:

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	(RMB in thousands)	
Revenue	**9,823,909**	3,643,541
Gross profit	**1,795,340**	724,964
Profit after taxation	**707,357**	336,524
Profit attributable to equity holders of the Company	**545,554**	256,416
Distribution made to the equity holders of the Company	**72,880**	67,123
Earnings per share — basic (RMB)[(1)]	**0.247**	0.124

Note:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 2,071,700,000 shares for the six months ended 30 June 2007 and the weighted average number of 2,208,488,000 shares for the six months ended 30 June 2008.

	30 June 2008	31 December 2007
	(unaudited)	(audited)
	(RMB in thousands)	
Total assets	**47,272,320**	29,879,987
Total liabilities	**36,712,125**	20,127,009
Net assets	**10,560,195**	9,752,978
Minority interests	**2,702,938**	2,367,403
Equity attributable to equity holders of the Company	**7,857,257**	7,385,575
Net assets per share — weighted average (RMB)[(1)]	**3.56**	3.48
Debt to assets ratio[(2)]	**51.8%**	44.8%
Net debts/equity ratio[(3)]	**203.5%**	104.9%

Notes:

(1) The calculations of basic earnings per share are based on the profit attributable to equity holders of the Company of each period and on the weighted average number of 2,071,700,000 shares for the six months ended 30 June 2007 and the weighted average number of 2,208,488,000 shares for the six months ended 30 June 2008.

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

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

Business Highlights

The major operating data of each segment of the Group as at 30 June 2007 and 30 June 2008 are set out below:

CEMENT SEGMENT

China United

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

South Cement

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

Business Highlights

LIGHTWEIGHT BUILDING MATERIALS SEGMENT

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

Business Highlights

GLASS FIBER AND COMPOSITE MATERIALS SEGMENT

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

Management Discussion and Analysis

The Group is mainly engaged in cement, lightweight building materials, composite materials and engineering services businesses. Based on the current market positions (in terms of the production capacity as at 30 June 2008), the Group is:

- the largest cement producer in the Huaihai Economic Zone of the PRC;
- the largest cement producer in the Southeast Economic Zone of the PRC;
- the largest gypsum board producer in the PRC;
- the largest manufacturer of 1.5 MW-level rotor blade in the PRC;
- the largest glass fiber producer in Asia through China Fiberglass, an associate of the Company;
- an international engineering firm that provides float glass production lines and NSP cement production lines design and/or EPC services in the PRC and designed and/or constructed over 50% of the float glass production lines sold in the PRC.

INDUSTRY SUMMARY AND BUSINESS REVIEW

According to NBSC, China's national economy developed as expected and maintained a stable and rapid growth momentum in the first half of 2008. In the first half of 2008, China's GDP recorded a year-on-year growth of 10.4%, 1.8 percentage points lower as compared to the same period last year. The country's fixed assets investment grew by 26.3% year on year, 0.4 percentage points higher as compared to the same period last year. In particular, fixed assets investment in cities and towns rose by 26.8% (29.5% in June), 0.1 percentage points higher as compared to the same period last year. Fixed assets investment in rural areas grew by 23.2%, 1.7 percentage points higher. In the first half of this year, the building material industry performed well in general, with significant growth in production, sales and economic benefits. Meanwhile, the export and investment structure in the industry continued to improve in spite of the complicated international economic environment and domestic natural disasters. The industry achieved approximately 66% growth in profit thanks to a surge in the price of building materials which was driven by rising cost and market demand during the first half of 2008.

During the first half of 2008, the Group focused on the operation target set at the beginning of the year while pushing ahead vigorously with the process of consolidation and restructuring in order to overcome the impact from unfavourable factors such as rising price of raw materials and fuel and natural disasters. Besides, the Company focused on consolidation of management, phased in project construction gradually and enhanced corporate governance continuously, so as to ensure the sound operation of the Company. As a result, all the major operating indexes achieved significant growth as compared with the same period last year.

In the meantime, the Group also improved management and optimised the Company's debt structure through the issue of short-term debenture, indirect finance and integration of equity structure of business segments. Leveraging its admirable operating results, high level of market recognition and huge influence on the building materials industry, the Group was included in the HSCEI by HSI Services Limited at the beginning of 2008.

Management Discussion and Analysis

INDUSTRY SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Cement Segment

Review of the cement industry of the PRC in the first half of 2008

According to NDRC, the PRC produced approximately 648.05 million tonnes of cement for the first half of 2008, up 8.7% year on year. The growth rate was 7.3 percentage points lower than that of the same period last year. The significant increase in cement price was economically beneficial to the industry. The industrial structure and investment structure of cement industry has improved continuously. In the first half of this year, investment in the cement industry focused on NSP techniques and residual-heat power generating projects which facilitate energy saving and emission reduction. In the first half of 2008, outdated production facilities with approximately 20 million tonnes of capacity were eliminated in the country. The NSP cement accounted for over 56%, 3 percentage points higher than the same period of last year.

Review of the Group's cement business in the first half of 2008

Accelerating consolidation and restructuring

In the first half of 2008, China United has consolidated and restructured its operations in the Huaihai Economic Zone and its surrounding areas. It successfully acquired Shandong Jinlucheng Company Limited（山東金魯城有限公司）, Linyi Jiangyuan Cement Company Limited（臨沂江元水泥有限公司）etc. With a total production capacity of over 33 million tonnes, China United maintained its leading position among the cement enterprises in the Huaihai Economic Zone. A smooth transition in the consolidation and restructuring of the acquired enterprises ensured that their operation, management, production, technical indexes and profitability were improved substantially. The resulting synergy put these enterprises on the right path towards beneficial development.

In the first half of 2008, guided by its established target, development visions and principle of consolidation and restructuring, South Cement expedited consolidation and restructuring in the target areas. South Cement has entered into equity transfer agreements with many companies such as Changsha Pingtang Cement Company Limited（長沙坪塘水泥有限公司）, Zhejiang Tongxing Cement Company Limited（浙江桐星水泥有限公司）, Zhejiang Tianma Cement Company Limited（浙江天馬水泥有限公司）etc. with a total production capacity of approximately 53 million tonnes. Hitherto, South Cement's existing production capacity has amounted to approximately 69 million tonnes. Accordingly, South Cement has become an enterprise with substantial influence in the regional market.

Noticeable progress in management integration

In the first half of 2008, facing pressures from rising fuel and raw material price, China United expanded the scope of centralized procurement of fuel and raw materials so as to lower procurement cost. Meanwhile, it established a market linkage system and improved sales made by subsidiaries, thus boosting the recovery of the cement price of this region and the growth of the whole cement industry in the region.

In the first half of 2008, South Cement gradually implemented strategic deployment, the Three Five Management Operation Mode of the Group and established South Cement (Zhejiang) Market Management Committee to boost marketing centralisation and maintain the market order, thus boosting the recovery of the cement price of this region. The pressure from the rising cost of raw materials and fuel has been relieved by implementing centralised purchase of bulk materials including coal in pilot regions. Accordingly, the Company's profitability has continued to improve.

INDUSTRY SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Cement Segment *(Continued)*

Review of the Group's cement business in the first half of 2008 *(Continued)*

Project construction pressing ahead as scheduled

China United and South Cement's clinker product line projects and residual-heat power generation projects, whether under construction or under preparation, were carried out smoothly as scheduled in an orderly manner. In particular, the auxiliary residual-heat power generation project for China United's existing clinker production line, which was obtained through public bidding, is expected to be put into operation from August 2008. Meanwhile, the construction of South Cement's clinker production line has been sped up, and the auxiliary residual heat power generation project has also commenced construction in tandem.

Lightweight Building Materials Segment

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

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

Review of the Group's lightweight building materials business in the first half of 2008

Strengthening construction of marketing channels and putting more efforts in marketing

With the implementation of BNBM's national industrial layout, BNBM formulated the development planning for its gypsum board marketing channel to ensure that development of these marketing channels would outpace production capacity and satisfy the rapidly increasing production capacity.

BNBM put more efforts in marketing landmark projects and made material progress in this regard. Its "Dragon" branded gypsum board products won the bid for the Jinan Olympic Sports Centre, Guangzhou TV & Sightseeing Tower (the highest tower in the world) and Shanghai Gangwu Building（上海港物大廈）, maintaining the cutting-edge reputation of "Dragon" branded products in landmark buildings.

In the first half of 2008, Taihe explored the market aggressively and sold over 100 million square meters of gypsum board on an accumulated basis, making its best result on record.

Improving profitability and rising products price

In the first half of 2008, facing unfavourable factors such as the rising cost of fuel, raw material and transportation cost, BNBM and Taihe proactively adopted cost control measures and strengthened marketing. By increasing product prices, they managed to secure profitability of major products such as gypsum boards.

Management Discussion and Analysis

INDUSTRY SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Glass Fiber and Composite Materials Segment

Review of the glass fiber and composite materials of the PRC in the first half of 2008

Composite materials industry

During the first half of 2008, the composite materials industry in the PRC maintained growth momentum in terms of both production and sales volume, especially for high-end products such as rotor blades.

Glass fiber industry

In the first half of 2008, the glass fiber industry maintained robust growth in demand and favourable trade surplus in import and export.

Review of the glass fiber and composite materials segment of the Group in the first half of 2008

Composite materials business

In the first half of 2008, China Composites accelerated the construction of its rotor blade project. With Phase II of its rotor blade project put into production smoothly, economies of scale emerged gradually. Production and sales of rotor blades expanded steadily. As at 30 June 2008, China Composites has produced 1,012 pieces of 1.5MW rotor blades, 306 sets of which have been delivered and put in operation, also produced 60 pieces of 2MW rotor blades and is currently developing the 3MW blades.

Glass fiber business

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

INDUSTRY SUMMARY AND BUSINESS REVIEW *(CONTINUED)*

Engineering Services Segment

Review of the Group's engineering services business in the first half of 2008

Highlighting principal operations and further enhancing competitiveness

In the first half of 2008, China Triumph put more effort in the development of its EPC business by ensuring the full performance of external contracts. Meanwhile, it attached more importance on development and proprietary innovation and actively explored the residual-heat power generation project for its float glass plant. As a result, its leading position in the domestic engineering technology market for building materials was consolidated, further enhancing the competitiveness of China Triumph.

Expediting global expansion and actively involving in international competition

In the first half of the year, China Triumph overcame the unfavourable impact of fiercer competition in the international EPC market, depreciating US dollar and rising prices of raw materials and grabbed market share in the international cement engineering and technical service market through its admirable technologies and services, consolidation and enlargement of its international glass engineering and technical services. Leveraging upon its advantages, China Triumph achieved favourable results in the international market. It entered into a number of contracts relating to glass and cement EPC, technical service and foreign trade with India, Libya and Kazakhstan, thus enhancing its capability in cement engineering construction rapidly. On 6 May 2008, the Turkey Canakkale EPC project for clinker product lines with daily capacity of 6,000 tonnes, whose design and equipments adopted European technology standards, completed construction and was put into production. It demonstrated that the Group had carved a niche in the international cement engineering high-end market, and is able to provide high-tech and quality engineering and construction services for the global cement industry.

OUTLOOK FOR THE SECOND HALF OF 2008

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

Cement Segment

China United plans to carry out consolidation and restructuring for cement enterprises in the target region, further enhance management integration and enlarge its production scale and competitive edge in the regional market. While ensuring the stable operation of residual-heat power generation projects which have been put into operation, China United will take the initiative to advance auxiliary residual-heat power generation projects for the production lines of newly-acquired enterprises.

South Cement will continue to steadily push ahead with consolidation and restructuring, emphasize management improvement and integration, and promote the residual-heat power generation equipment projects for scaled production lines in an orderly and progressive way. Meanwhile, it will attach more importance on integration to centralize procurement of raw materials, increase sales and unify adjustment of price, thus achieving more synergy.

OUTLOOK FOR THE SECOND HALF OF 2008 *(CONTINUED)*

Lightweight Building Materials Segment

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

Glass Fiber and Composite Materials Segment

Composite materials business

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

Glass fiber business

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

Engineering Services Segment

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

FINANCIAL REVIEW

Establishment of South Cement

The Group established South Cement in September 2007. The operating results of South Cement were incorporated in the Group's financial results for the six months ended 30 June 2008, with no comparative figures for the six months ended 30 June 2007. For the six months ended 30 June 2008, 30 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 South Cement for the six months ended 30 June 2008 and their respective contribution to the Group:

	South Cement	
	RMB in millions	*Total percentage in the Group*
Revenue	3,418.7	34.8
Cost of sales	2,993.1	37.3
Gross profit	425.6	23.7
Operating Profit	450.7	32.5

In addition to the reasons stated below, changes in the operating results of the Group for the six months ended 30 June 2008 as compared with the six months ended 30 June 2007, were also attributable to the inclusion of results of the newly established South Cement.

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

Revenue

Revenue for the six months ended 30 June 2008 amounted to RMB9,823.9 million, representing an increase of 169.6% from RMB3,643.5 million for the six months ended 30 June 2007, 75.8% of such growth or RMB6,405.2 million excluded that of South Cement. The main reasons for such increase were an increase of RMB1,869.9 million in revenue from the cement segment, an increase of RMB426.4 million in revenue from the Group's glass fiber and FRP products segment and an increase of RMB333.4 million in revenue from the Group's engineering services segment.

Cost of sales

The cost of sales for the six months ended 30 June 2008 amounted to RMB8,028.6 million, representing an increase of 175.1% from RMB2,918.6 million for the six months ended 30 June 2007, 72.5% of such growth or RMB5,035.5 million excluded that of South Cement, primarily due to an increase in cost of sales of RMB1,513.2 million from the cement segment, an increase in cost of sales of RMB281.1 million from the Group's glass fiber and FRP products segment and an increase in cost of sales of RMB220.0 million from the Group's engineering services segment.

Management Discussion and Analysis

FINANCIAL REVIEW *(CONTINUED)*

Other income

The Group's other income increased by 200.1% to RMB545.4 million for the six months ended 30 June 2008 from RMB181.8 million for the six months ended 30 June 2007, 67.2% of such growth or RMB303.9 million excluded that of South Cement, which was primarily due to the increase in the interest in bank loans of the Group by 727.4% from RMB13.4 million for the six months ended 30 June 2007 to RMB111.1 million for the six months ended 30 June 2008, an increase of the Group's VAT refund by 130.2% from RMB72.1 million for the six months ended 30 June 2007 to RMB165.9 million for the six months ended 30 June 2008, the increase of the Group's government grants for the six months ended 30 June 2008 by 234.6% to RMB98.3 million from RMB29.4 million for the six months ended 30 June 2007. Yet, due to a decrease of the Group's fair value of investment held for trading by 54.6% from RMB36.4 million for the six months ended 30 June 2007 to RMB16.5 million for the six months ended 30 June 2008, the increase was partially offset.

Selling and distribution costs

Selling and distribution costs increased by 92.2% from RMB214.0 million for the six months ended 30 June 2007 to RMB411.3 million for the six months ended 30 June 2008, 60.0% of such increase or RMB342.4 million excluded that of South Cement. The major reasons for such increase were an increase of RMB86.0 million in packaging fees, an increase of RMB18.8 million in transportation costs as a result of the Group's rising sales volume of major products, coupled with an increase of RMB51.2 million in remuneration for sales staff resulting from a surge of the operating results of the Group.

Administrative and other expenses

Administrative and other expenses increased by 141.0% from RMB225.3 million for the six months ended 30 June 2007 to RMB542.9 million for the six months ended 30 June 2008, 75.5% of such growth or RMB395.3 million excluded that of South Cement. The major reasons for such increase were the increase of RMB69.1 million in the salary of the Group, an increase of RMB31.0 million in banking procedures, an increase of RMB26.6 million in administrative expenses such as traveling expenses, an increase of RMB24.3 million in tax, an increase of 15.0 million in the amortization of intangible assets, an increase of RMB14.4 million in donations for the snowstorm in Southern China and the earthquake in Sichuan, an increase of RMB13.4 million in the provision for bad debts as well as an increase of RMB10.5 million in emission fees.

Finance costs

Finance costs increased by 367.6% from RMB147.5 million for the six months ended 30 June 2007 to RMB689.9 million for the six months ended 30 June 2008, 256.7% of such increase or RMB526.2 million excluded that of South Cement. The reason for such increase was the Group's need for more short-term borrowings to support the increase in the business volume in each of its four business segments.

Share of profit of associates

The Group's share of profit of associates increased by 120.4% from RMB79.3 million for the six months ended 30 June 2007 to RMB174.7 million for the six months ended 30 June 2008, primarily due to the increase in the profits of associates China Fiberglass and Jushi Group attributable to the Group. The increase in net profits of China Fiberglass and Jushi Group was mainly attributable to the commencement of operation of new production lines and the increase in sales volume and operating profit.

FINANCIAL REVIEW *(CONTINUED)*

Income tax expense

Income tax expense increased by 161.5% from RMB62.7 million for the six months ended 30 June 2007 to RMB163.9 million for the six months ended 30 June 2008, primarily due to the increase in profit before taxation.

Minority interests

Minority interests increased by 102.0% to RMB161.8 million for the six months ended 30 June 2008 from RMB80.1 million for the six months ended 30 June 2007, primarily due to the increase in operating profit in each of the Group's business segments.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company increased by 112.8% from RMB256.4 million for the six months ended 30 June 2007 to RMB545.6 million for the six months ended 30 June 2008. Net profit margin decreased from 7.0% for the six months ended 30 June 2007 to 5.6% for the six months ended 30 June 2008.

China United

Acquisition and addition of new production lines

The acquisitions by the Group's China United of Taishan Cement Group Company Limited (泰山水泥集團有限公司), Rizhao China United Company Limited (日照中聯水泥有限公司) and Dezhou Daba China United Company Limited (德州中聯大壩水泥有限公司) were completed on 1 July 2007, 1 November 2007 and 1 January 2008 respectively. A 1 million-tonne grinding station of Xixia China United Company Limited (西峽中聯水泥有限公司) commenced production on 1 February 2008. The acquisitions of 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) and Rizhao Port China United Company Limited (日照中聯港口水泥有限公司) were all completed on 1 April 2008. The operating results of the seven companies mentioned above have been included in the financial results for the six months ended 30 June 2008 but were not included in the financial results for the six months ended 30 June 2007. The following table sets out the revenue, cost of sales, gross profit and operating results of the above seven companies and the share of relevant items in the Group's cement segment for the six months ended 30 June 2008.

	RMB in millions	*Total percentage in China United*
Revenue	1,183.6	36.2
Cost of sales	973.8	37.3
Gross profit	209.8	31.7
Operating profit	142.4	27.1

FINANCIAL REVIEW *(CONTINUED)*

China United *(Continued)*

Acquisition and addition of new production lines *(Continued)*

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 two months from 1 May 2007 to 30 June 2007 were included for the year ended 30 June 2007. The following table sets out the revenue, cost of sales, gross profit and operating profit of Qingzhou China United for the two periods.

	Qingzhou China United For the six months ended 30 June *RMB in millions*	
	2008	2007
Revenue	**226.1**	69.6
Cost of sales	**180.6**	48.4
Gross profit	**45.5**	21.2
Operating profit	**29.1**	17.0

Save for the reasons stated below, changes in the operating results of China United for the six months ended 30 June 2008 as compared with the six months ended 30 June 2007 were also due to the inclusion of results of the abovementioned new subsidiaries and newly operational subsidiaries.

Revenue

Revenue for China United increased by 133.3% to RMB3,272.1 million for the six months ended 30 June 2008 from RMB1,402.3 million for the six months ended 30 June 2007, mainly attributable to an increase of sales volume resulting from Zaozhuang China United and Nanyang China United's this year, together with an increase in the average selling price of cement products.

Cost of sales

Cost of sales of China United increased by 138.0% to RMB2,609.9 million for the six months ended 30 June 2008 from RMB1,096.7 million for the six months ended 30 June 2007, mainly attributable to the increased sales volume of cement from Zaozhuang China United and Nanyang China United's newly operational production lines during the reporting period, and also due to an increase in cost of sales resulting from rising coal price, as well as increased procurement costs of main raw materials due to increased costs in transporting.

Gross profit and gross profit margin

Gross profit of China United increased by 116.8% to RMB662.2 million for the six months ended 30 June 2008 from RMB305.5 million for the six months ended 30 June 2007. Gross profit margin of China United decreased from 21.8% for the six months ended 30 June 2007 to 20.2% for the six months ended 30 June 2008, mainly resulting from the increased procurement costs for main raw materials due to increased transportation expenses as well as the increase of cost of sales caused by a hike in coal price which was partially offset by higher selling prices.

FINANCIAL REVIEW *(CONTINUED)*

Operating profit

Operating profit for China United increased by 149.1% to RMB524.5 million for the six months ended 30 June 2008 from RMB210.5 million for the six months ended 30 June 2007. Operating profit margin for the segment increased to 16.0% for the six months ended 30 June 2008 from 15.0% for the six months ended 30 June 2007, primarily due to the increase in other income including government grants and VAT refund as partially offset by declined gross profit margin.

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 six months ended 30 June 2008 and for the six months ended 30 June 2007 were not included in the lightweight building materials segment.

Revenue

Revenue for our lightweight building materials segment increased by 16.1% to RMB1,022.1 million for the six months ended 30 June 2008 from RMB880.3 million for the six months ended 30 June 2007. It is mainly attributable to the increases in revenue for most of our principal businesses due to the respective increases in their sales volumes, together with an increase in the average selling price of main products.

The table below sets out the revenue for the three major products of the Group's dry wall and ceiling systems respectively for the six months ended 30 June 2007 and 2008:

	For the six months ended 30 June		
	2008	2007	Change in the period
	(RMB in millions)		*(%)*
Gypsum boards	**687.8**	573.9	19.8
Acoustical ceiling panels	**60.5**	60.5	0
Lightweight metal frames	**101.3**	88.0	15.2
Total	**849.6**	722.4	17.6

Management Discussion and Analysis

FINANCIAL REVIEW *(CONTINUED)*

Cost of sales

Cost of sales for our lightweight building materials segment increased by 17.6% to RMB839.4 million for the six months ended 30 June 2008 from RMB713.8 million for the six months ended 30 June 2007. It was mainly attributable to the increases in cost of sales for most of our principal businesses due to the respective increases in their sales volumes and the increase in prices of gypsum boards' raw materials.

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 the six months ended 30 June 2007 and 2008:

	For the six months ended 30 June		
	2008	2007	Change in the period
	(RMB in millions)		*(%)*
Gypsum boards	**529.3**	429.2	23.3
Acoustical ceiling panels	**55.3**	57.4	-3.7
Lightweight metal frames	**82.2**	71.6	14.9
Total	**666.8**	558.2	19.5

Gross profit and gross profit margin

Gross profit for our lightweight building materials segment increased by 9.8% to RMB182.7 million for the six months ended 30 June 2008 from RMB166.4 million for the six months ended 30 June 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 the six months ended 30 June 2007 and 2008:

	For the six months ended 30 June		
	2008	2007	Change in the period
	(RMB in millions)		*(%)*
Gypsum boards	**158.5**	144.7	9.5
Acoustical ceiling panels	**5.2**	3.1	68.4
Lightweight metal frames	**19.1**	16.4	16.4
Total	**182.8**	164.2	11.3

Gross profit margin for our lightweight building materials segment decreased to 17.9% for the six months ended 30 June 2008 from 18.9% for the six months ended 30 June 2007, mainly attributable to the decrease in gross profit margin of gypsum boards due to the increase in raw materials prices which was partially offset by higher selling prices of main products.

FINANCIAL REVIEW *(CONTINUED)*

Operating profit

Operating profit for our lightweight building materials segment decreased by 12.0% to RMB90.9 million for the six months ended 30 June 2008 from RMB103.3 million for the six months ended 30 June 2007. Operating profit margin of the segment decreased from 11.7% for the six months ended 30 June 2007 to 8.9% for the six months ended 30 June 2008, which was principally due to the decrease in gross profit margin and an increase in selling and administrative expenses.

Glass Fiber and Composite Materials Segment

Revenue

Revenue for our glass fiber and composite materials segment increased by 170.3% to RMB676.7 million for the six months ended 30 June 2008 from RMB250.4 million for the six months ended 30 June 2007. This was primarily due to an increase of RMB372.2 million in revenue from FRP pipes and tanks business and rotor blade, in addition, revenue from shipping business represented an increase of RMB35.6 million, and revenue from glass fiber mats represented an increase of RMB21.6 million, although this was partially offset by an revenue decrease of RMB0.2 million in plastic floor products business.

Cost of sales

The cost of sales for our glass fiber and composite materials segment increased by 150.3% to RMB468.0 million for the six months ended 30 June 2008 from RMB187.0 million for the six months ended 30 June 2007. This was primarily due to an increase of RMB232.4 million in cost of sales from FRP pipes and tanks business and rotor blade, cost of sales of shipping business represented an increase of RMB32.4 million, and cost of sales of glass fiber mats represented an increase of RMB15.9 million, which was accompanied by a cost increase of RMB0.3 million in plastic floor products business.

Gross profit and gross profit margin

Gross profit for our glass fiber and composite materials segment increased by 229.3% to RMB208.7 million for the six months ended 30 June 2008 from RMB63.4 million for the six months ended 30 June 2007. Gross profit margin for our glass fiber and composite materials segment increased to 30.8% for the six months ended 30 June 2008 from 25.3% for the six months ended 30 June 2007. This is mainly attributable to an increase in gross profit margin for rotor blades.

Operating profit

Operating profit for our glass fiber and composite materials segment increased by 346.0% to RMB137.6 million for the six months ended 30 June 2008 from RMB30.8 million for the six months ended 30 June 2007. The operating profit margin for the segment increased to 20.3% for the six months ended 30 June 2008 from 12.3% for the six months ended 30 June 2007, primarily due to an increase in gross profit margin.

Management Discussion and Analysis

FINANCIAL REVIEW *(CONTINUED)*

Engineering Services Segment

Revenue

Revenue for our engineering services segment increased by 40.5% to RMB1,156.9 million for the six months ended 30 June 2008 from RMB823.4 million for the six months ended 30 June 2007, primarily due to the increase in ongoing contractual amount in this period. For the six months ended 30 June 2008, the ongoing contractual amount increased by 136.7% over the corresponding period last year.

Cost of sales

Cost of sales for our engineering services segment increased by 33.1% to RMB885.2 million for the six months ended 30 June 2008 from RMB665.2 million for the six months ended 30 June 2007, primarily due to the increase in ongoing contractual amounts.

Gross profit and gross profit margin

Gross profit for our engineering services segment increased by 71.7% to RMB271.6 million for the six months ended 30 June 2008 from RMB158.2 million for the six months ended 30 June 2007, primarily due to the increase in ongoing contractual amounts in 2008. Gross profit margin for our engineering services segment increased to 23.5% for the six months ended 30 June 2008 from 19.2% for the six months ended 30 June 2007, mainly attributable to the increase in the gross profit margin of EPC and sales of equipment in our product mix and the increased percentage of this two services.

Operating profit

Operating profit for our engineering services segment increased by 75.0% to RMB191.9 million for the six months ended 30 June 2008 from RMB109.7 million for the six months ended 30 June 2007, and operating margin for the segment increased to 16.6% for the six months ended 30 June 2008 from 13.3% for the six months ended 30 June 2007, primarily due to its increased gross profit margin.

FINANCIAL REVIEW *(CONTINUED)*

Liquidity and Financial Resources

As at 30 June 2008, the Group had aggregate unused banking facilities of approximately RMB10,952.0 million.

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

	30 June 2008	31 December 2007
	(RMB million)	
Bank loans	**22,600.0**	12,352.3
Other unsecured borrowings from non-financial institutions	**1,888.2**	1,029.0
Total	**24,488.2**	13,381.3

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

	30 June 2008	31 December 2007
	(RMB million)	
Borrowings are repayable as follows:		
within one year or on demand	**17,094.9**	8,663.6
between one and two years	**2,445.4**	1,743.7
between two and three years	**2,227.1**	914.0
between three and five years (inclusive of both years)	**1,599.8**	900.5
over five years	**1,121.0**	1,159.5
Total	**24,488.2**	13,381.3

As at 30 June 2008, bank loans in the amount of RMB3,068.9 million were secured by assets of the Group with a total carrying value of RMB5,258.5 million.

As at 31 December 2007 and 30 June 2008, we had a debt-to-asset ratio, calculated by dividing our consolidated borrowings by our total consolidated assets, of 44.8% and 51.8%, respectively. The increase in this ratio was mainly due to increasing bank credit of the Group during the period to meet the need for growing working capital and to finance the expansion of business (including capital investment and acquisition). The Group has taken measures to decrease its financial leverage and liability level while concentrating on availability of operating funds, adopting a prudent policy in its capital investment and implementing unified control on capital expenses.

Exchange Risks

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

Management Discussion and Analysis

FINANCIAL REVIEW *(CONTINUED)*

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:

	30 June 2008	31 December 2007
	(RMB million)	
Used by connected parties before acquisition for subsidiaries guarantee to banks, in respect of bank credits	**160.0**	597.4
Guarantee to banks, in respect of bank credits used by an independent third party	**670.4**	920.3
Total	**830.4**	1,517.7

Capital Commitments

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

	30 June 2008	31 December 2007
	(RMB million)	
Capital expenditure of the Company in respect of acquisition of property, plant and equipment contracted for but no provisions have been made	**2,257.0**	1,028.8
Capital expenditure of the Company in respect of equity acquisition contracted for but no provisions have been made	**4,274.3**	2,300.5

FINANCIAL REVIEW *(CONTINUED)*

Capital Expenditures

The following table sets out our capital expenditures for the six months ended 30 June 2008 by segment:

	For the six months ended 30 June 2008 (RMB in millions)	% of total
Cement	1,386.0	75.7
Lightweight building materials	281.8	15.4
Glass fiber and FRP products	74.9	4.1
Engineering Services	15.6	0.9
Other	71.5	3.9
Total	1,829.8	100

Bank Balances and Cash

Our bank balances and cash were RMB3,150.6 million as at 31 December 2007 and RMB3,003.3 million as at 30 June 2008.

Cash Flow from Operating Activities

For the six months ended 30 June 2008, our net cash inflow generated from operating activities was RMB715.8 million. Such net cash inflow was primarily due to RMB1,754.9 million of cash flow from operating activities before the change in working capital, an increase of RMB765.3 million in trade payables and other payables primarily offset by an increase of RMB625.1 million in inventories, a decrease of RMB563.2 million in payables to related parties and an increase of RMB608.8 million in trade receivables and other receivables.

Cash Flow from Investing Activities

For the six months ended 30 June 2008, our net cash outflow from investing activities was RMB7,284.9 million, which was primarily due to the increase of RMB1,638.7 million in deposits paid, the purchase of property, plant and equipment mainly used for the cement and lightweight building materials segments amounting to RMB1,595.9 million in total, RMB1,075.7 million used for acquisition of subsidiaries, an increase of RMB734.4 million in pledged bank deposits, RMB568.0 million used for repayment to related parties, an increase of RMB541.5 million in new loans receivable, and RMB495.5 million used for acquisition of equity interest in associates.

Cash Flow from Financing Activities

For the six months ended 30 June 2008, we had a net cash inflow from financing activities amounting to RMB6,422.5 million, primarily attributable to a total of RMB17,336.3 million in new borrowings, partially offset by RMB10,470.5 million for repayment of borrowings.

Significant Events

INTERIM DIVIDEND

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

MATERIAL TRANSACTIONS

1. Establishment of Zhongfei Investment

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

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

2. Special Mandate for Placing of New H Shares

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

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

3. Issue of Short-term Debenture in the PRC

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

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

MATERIAL TRANSACTIONS *(CONTINUED)*

4. Cooperation with Qilianshan Cement

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

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

5. Change in Auditors

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

Details were disclosed in the announcement dated 12 August 2008.

CONNECTED TRANSACTIONS

1. Continuing Connected Transactions

Particulars of related party transactions are set out in Note 23 to the interim financial statements. For details of connected transactions and relevant exemptions, please see the prospectus of the Company dated 13 March 2006 and the Company's 2005 Annual Report, 2006 Annual Report and 2007 Annual Report.

The Group's transactions with the Parent Group cover mineral supply, mutual provision of production supplies and support services, supply of equipment and mutual provision of engineering services.

The Group also provides products and support services and engineering services to BNBM Homes and cement to Shandong Hengzhijiu Commercial Trade Company Limited ("Hengzhijiu Commercial Trade").

The Group also purchases raw materials, water and electricity for the production of glass fiber products from Changzhou Tianma Group Company Limited and coal from Hengzhijiu Commercial Trade.

For the six months ended 30 June 2008, the Group's income from its supply of products and services to Parent Group amounted to approximately RMB71.1 million, representing approximately 0.7% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from Parent Group amounted to RMB151.6 million, representing approximately 1.9% of its total cost of sales for the same period.

For the six months ended 30 June 2008, the Group's income from its supply of products and services to other related parties amounted to approximately RMB11.4 million, representing approximately 0.1% of the total revenue of the Group for the same period. The Group's expenses incurred from its receipt of products and services from other related parties amounted to approximately RMB16.7 million, representing approximately 0.2% of its total cost of sales for the same period.

Significant Events

CONNECTED TRANSACTIONS *(CONTINUED)*

2. Non-exempt Connected Transactions

Acquisition of assets of Dezhou Daba

Details of acquisition of related cement assets of Dezhou Jinghua Group Daba Company Limited（德州晶華集團大壩有限公司）("Dezhou Daba") were disclosed in the announcement dated 30 January 2008 and circular dated 19 February 2008. As at the date of this report, the consideration for the acquisition has not been paid off.

Acquisition of assets of Henan Xichuan

Details of acquisition of related cement assets of Henan Xichuan Cement Company Limited（河南省淅川水泥有限公司）("Henan Xichuan") were disclosed in the announcement dated 30 January 2008. As at the date of this report, the consideration for acquisition has been paid off.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2008, the Board was not aware of any information which would indicate that the Company did not comply with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee"). The Audit Committee of the Company comprises 3 non-executive directors, including 2 independent non-executive directors, with appropriate professional qualification or accounting or related financial management experience. The terms of reference adopted by the Audit Committee complied with the requirements of the Code. The principal duties of the Audit Committee include reviewing the Company's financial reporting procedures, internal control and risk management. The Audit Committee has reviewed the 2008 interim report of the Company.

INTERNAL CONTROL

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

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

MODEL CODE

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

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

All members of the Board of the Company were re-elected as members of the second Board of the Company on the 2007 annual general meeting held by the Company on 30 June 2008, on which Mr. Ma Zhongzhi was elected as a supervisor of the second session of the Supervisory Committee of the Company. Mr. Bao Wenchun and Mr. Zhang Zhaomin have notified the Company that they would retire as supervisors of the Company and not seek re-election. On the staff representative meeting of the Company held on 12 June 2008, Ms. Cui Shuhong and Mr. Liu Zhiping were elected as the staff representative supervisors of the second session of the Supervisory Committee of the Company.

SHARE CAPITAL STRUCTURE

	As at 30 June 2008	
	Number of shares	Percentage of issued share capital
Domestic shares	1,306,404,813	59.15%
H shares	902,083,187	40.85%
	2,208,488,000	100%

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2008.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group had approximately 34,609 employees.

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

Significant Events

SHARE APPRECIATION RIGHTS PLAN

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

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

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

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

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

As the SA Rights vest at different amounts until the grantee have completed a specified period of service and none of SA Rights were granted during the reporting period, the Company recognised the services received and a liability of RMB3,940,000 (2007: RMB1,438,100) during the reporting period.

DISCLOSURE OF INTERESTS

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

As at 30 June 2008, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the persons (other than the directors and supervisors of the Company) who have interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Class of shares	Number of shares held	Percentage in the relevant class of share capital[2, 6] (%)	Percentage in total share capital[2, 6] (%)
Parent[1]	Domestic Shares	1,237,188,659[3]	94.70	56.02
BNBMG[1]	Domestic Shares	771,776,923[3]	59.08	34.95
CNBM Trading[1]	Domestic Shares	118,304,112[3]	9.06	5.36
Cinda	Domestic Shares	69,216,154[3]	5.30	3.13
JPMorgan Chase & Co.	H Shares	260,957,391[3] 600,000[4] 131,195,391[5]	28.93 0.07 14.54	11.82 0.03 5.94
Atlantis Investment Management Ltd	H Shares	68,950,000[3]	7.64	3.12
T. Rowe Price Associates, Inc. and its affiliates	H Shares	73,174,000[3]	8.11	3.31
Morgan Stanley	H Shares	66,906,673[3] 63,328,853[4]	7.42 7.02	3.03 2.87
Mirae Asset Global Investments (Hong Kong) Limited	H Shares	47,170,000[3]	5.23	2.14
Anderson James	H Shares	45,320,000[3]	5.02	2.05
Baillie Gifford & Co	H Shares	45,320,000[3]	5.02	2.05
Callander Alex	H Shares	45,320,000[3]	5.02	2.05
Menzies Robin	H Shares	45,320,000[3]	5.02	2.05
Plowden Charles	H Shares	45,320,000[3]	5.02	2.05
Warden Alison	H Shares	45,320,000[3]	5.02	2.05
Whitley Sarah	H Shares	45,320,000[3]	5.02	2.05

Significant Events

DISCLOSURE OF INTERESTS *(CONTINUED)*

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

Notes:

1 *Of these 1,237,188,659 shares, 346,498,205 shares are directly held by Parent, the remaining 890,690,454 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and Building Materials Academy. CNBM Trading and Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% equity interest in BNBMG, of which 75% is directly held and 25% is indirectly held through CNBM Trading. Under the SFO, Parent is deemed to own the shares directly held by BNBMG (771,776,923 shares), CNBM Trading (118,304,112 shares) and Building Materials Academy (609,419 shares).*

2 *As at 30 June 2008, the Company's total issued share capital comprises 2,208,488,000 shares, including 1,306,404,813 Domestic Shares and 902,083,187 H Shares.*

3 *Long position.*

4 *Short position.*

5 *Lending pool.*

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

Save as disclosed above, as at 30 June 2008, the Company has not been notified by any persons who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

2. Interests and Short Positions of Directors and Supervisors

As at 30 June 2008, as far as the Company is aware, none of the Directors nor Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors or Supervisors to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 60, which comprises the condensed consolidated balance sheet of China National Building Material Company Limited and its subsidiaries as at 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 August 2008

Interim Financial Report

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	**30.6.2008 *RMB'000* *(unaudited)***	31.12.2007 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment	11	**21,179,090**	13,005,097
Investment properties		**310,728**	316,340
Goodwill	12	**2,760,634**	1,130,556
Intangible assets		**503,208**	358,079
Interests in associates	13	**2,604,212**	1,794,292
Available-for-sale investments		**139,973**	107,298
Deposits	14	**2,152,539**	1,037,660
Prepaid lease payments		**2,506,179**	1,535,901
Deferred tax assets		**72,699**	158,598
		32,229,262	19,443,821
Current assets			
Inventories		**2,624,965**	1,519,293
Trade and other receivables	15	**6,883,653**	4,480,418
Held-for-trading investments	16	**336,926**	209,652
Amounts due from related parties	23	**497,311**	389,411
Pledged bank deposits	17	**1,696,917**	686,779
Cash and cash equivalents		**3,003,286**	3,150,613
		15,043,058	10,436,166
Current liabilities			
Trade and other payables	18	**10,019,219**	4,799,588
Amounts due to related parties	23	**1,360,912**	1,401,121
Borrowings - due within one year	19	**17,094,878**	8,663,614
Obligations under finance lease		**42,763**	18,222
Income tax payable		**205,792**	120,829
Financial guarantee contracts			
- due within one year		**28,060**	16,926
Dividends payable to shareholders		**72,880**	—
Dividends payable to minority shareholders of subsidiaries		**4,568**	30,910
		28,829,072	15,051,210
Net current liabilities		**(13,786,014)**	(4,615,044)
Total assets less current liabilities		**18,443,248**	14,828,777

Interim Financial Report

CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

AT 30 JUNE 2008

	NOTES	**30.6.2008 RMB'000 (unaudited)**	31.12.2007 RMB'000 (audited)
Non-current liabilities			
Borrowings - due after one year	19	**7,393,309**	4,717,660
Deferred income		**62,471**	27,014
Obligations under finance leases		**55,614**	35,966
Financial guarantee contracts - due after one year		**—**	21,659
Deferred tax liabilities		**371,659**	273,500
		7,883,053	5,075,799
Net assets		**10,560,195**	9,752,978
Capital and reserves			
Share capital		**2,208,488**	2,208,488
Reserves		**5,648,769**	5,177,087
Equity attributable to equity holders of the Company		**7,857,257**	7,385,575
Minority interests		**2,702,938**	2,367,403
Total equity		**10,560,195**	9,752,978

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2008 (audited)	2,208,488	3,267,410	507,518	159,423	1,263	1,241,473	7,385,575	2,367,403	9,752,978
Exchange difference arising on translation of foreign operations directly recognised in equity	—	—	—	—	(992)	—	(992)	205	(787)
Profit for the period	—	—	—	—	—	545,554	545,554	161,803	707,357
Total recognised income and expenses	—	—	—	—	(992)	545,554	544,562	162,008	706,570
Dividends	—	—	—	—	—	(72,880)	(72,880)	—	(72,880)
Dividends paid to the minority shareholders of subsidiaries	—	—	—	—	—	—	—	(18,396)	(18,396)
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	(151,747)	(151,747)
Decrease in minority interests as a result of disposal of subsidiaries	—	—	—	—	—	—	—	(8,217)	(8,217)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	202,453	202,453
Increase in minority interests as a result of acquisition of subsidiaries	—	—	—	—	—	—	—	149,434	149,434
At 30 June 2008 (unaudited)	2,208,488	3,267,410	507,518	159,423	271	1,714,147	7,857,257	2,702,938	10,560,195

Interim Financial Report

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve fund *RMB'000*	Exchange reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2007 (audited)	2,071,700	1,070,506	507,518	129,731	1,733	425,842	4,207,030	1,507,224	5,714,254
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	154	—	154	104	258
Profit for the period	—	—	—	—	—	256,416	256,416	80,108	336,524
Total recognised income and expenses	—	—	—	—	154	256,416	256,570	80,212	336,782
Dividends	—	—	—	—	—	(67,123)	(67,123)	—	(67,123)
Dividends paid to the minority shareholders of subsidiaries	—	—	—	—	—	—	—	(50,946)	(50,946)
Decrease in minority interests due to increase in interests in subsidiaries	—	—	—	—	—	—	—	(129,027)	(129,027)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	8,400	8,400
At 30 June 2007 (unaudited)	2,071,700	1,070,506	507,518	129,731	1,887	615,135	4,396,477	1,415,863	5,812,340

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash from operating activities	**715,778**	154,514
Investing activities		
Purchases of property, plant and equipment	**(1,595,918)**	(619,649)
Purchases of intangible assets	**(9,661)**	(542)
Payments for prepaid lease payments	**(74,722)**	(77,431)
Proceeds on disposal of property, plant and equipments and investment property	**29,831**	21,758
Acquisition of investments in associates	**(495,519)**	(451,046)
Dividends received from associates	**—**	33,163
Purchase of available-for-sale investments	**(36,000)**	—
Dividends from available-for-sale investments	**2,937**	—
Deposits paid	**(1,638,748)**	(662,453)
Payments for acquisition of subsidiaries, net of cash and cash equivalents acquired	**(1,075,652)**	—
Payments for outstanding consideration in respect of acquisition of subsidiaries in last year	**(474,464)**	—
Proceeds on disposal of subsidiaries, net of cash and cash equivalents acquired	**1,916**	—
Payments for acquisition of additional interests in subsidiaries	**(82,747)**	(127,292)
Advances to related parties	**(568,009)**	(144,141)
Proceeds from repayment of loans receivable	**7,841**	—
New loans receivable	**(541,535)**	—
(Increase) decrease in pledged bank deposits	**(734,404)**	201,289
Net cash used in investing activities	**(7,284,854)**	(1,826,344)
Financing activities		
Interest paid	**(730,347)**	(167,034)
Dividends paid to shareholders	**—**	(37,856)
Dividends paid to minority shareholders of subsidiaries	**(45,371)**	(49,007)
Repayments of borrowings	**(10,470,479)**	(3,250,030)
New bank loans raised	**17,336,340**	4,927,773
Contributions from minority shareholders	**202,453**	8,400
Borrowings from related parties	**147,709**	6,950
Repayment of obligations under finance lease	**(17,769)**	—
Net cash from financing activities	**6,422,536**	1,439,196
Net decrease in cash and cash equivalents	**(146,540)**	(232,634)
Cash and cash equivalents at 1 January	**3,150,613**	1,549,123
Effect of foreign exchange rate changes	**(787)**	306
Cash and cash equivalents at 30 June	**3,003,286**	1,316,795

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009*

[3] *Effective for annual periods beginning on or after 1 July 2008*

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

3. SEGMENT INFORMATION

Business segments

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

Principal activities are as follows:

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

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these business is presented below.

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

4. INVESTMENT INCOME

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

5. OTHER INCOME

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

Notes:

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

8. INCOME TAX EXPENSE

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

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

9. DIVIDENDS

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

Notes:

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

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

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings for the purposes of basic earnings per share	**545,554**	256,416

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

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,687 million in construction in progress, RMB46 million on buildings, RMB72 million on plant and machinery, and RMB30 million on motor vehicles.

The Group also acquired approximately RMB408 million of construction in progress, RMB3,105 million of buildings, RMB3,286 million of plant and machinery, and RMB86 million of motor vehicles through acquisition of subsidiaries.

12. GOODWILL

	RMB'000
CARRYING VALUE	
At the beginning of the period	1,130,556
Arising from acquisition of	
— subsidiaries *(Note 20)*	1,606,022
— additional interests in subsidiaries	24,056
At the end of the period (unaudited)	2,760,634

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

	30.6.2008 ***RMB'000*** ***(unaudited)***	31.12.2007 *RMB'000* *(audited)*
Cement	**2,657,833**	1,046,674
Engineering services	**62**	62
Lightweight building materials	**81,616**	81,616
Glass fiber and FRP products	**2,204**	2,204
Merchandise trading business and others	**18,919**	—
	2,760,634	1,130,556

13. INTERESTS IN ASSOCIATES

	30.6.2008 ***RMB'000*** ***(unaudited)***	31.12.2007 *RMB'000* *(audited)*
Cost of investment in associates		
— listed in the PRC	**156,728**	156,728
— unlisted	**1,556,779**	921,557
Share of post-acquisition profit, net of dividend received	**890,705**	716,007
	2,604,212	1,794,292
Fair value of listed investments	**4,205,334**	6,039,739

As at 30 June 2008, the cost of investment in associates included goodwill of associates of approximately RMB53 million (31 December 2007: RMB53 million).

14. DEPOSITS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Investment deposits for acquisition of subsidiaries	**1,343,847**	747,270
Investment deposits for acquisition of interests in associates	**—**	40,000
Deposits paid to acquire property, plant and equipment	**735,800**	177,498
Deposits paid in respect of prepaid lease payments	**72,892**	72,892
	2,152,539	1,037,660

15. TRADE AND OTHER RECEIVABLES

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

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

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

Bills receivable are aged within six months.

16. HELD-FOR-TRADING INVESTMENTS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Quoted investment funds, at market values	**1,550**	1,712
Listed equity shares, at market values	**335,376**	207,940
	336,926	209,652

17. PLEDGED BANK DEPOSITS

At 30 June 2008, the Group pledged approximately RMB1,697 million (at 31 December 2007: RMB687 million) to bankers of the Group to secure the banking borrowings due within one year and the short-term banking facilities granted to the Group. The pledged bank deposits will be released upon the settlement relevant bank borrowings.

The pledged bank deposits carrying interest at market rates which range from 1.80% to 4.14% per annum.

18. TRADE AND OTHER PAYABLES

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

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

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

Bills payables are aged within six months.

19. BORROWINGS

	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Bonds *(Note a)*	**1,000,000**	1,000,000
Bank loans:		
Secured *(Note b)*	**3,068,900**	968,126
Unsecured	**19,531,088**	11,384,205
Other borrowings	**888,199**	28,943
	24,488,187	13,381,274

Notes:

(a) *On 9 April 2007, the Company issued domestic corporate bonds with an aggregate principal amount of RMB1 billion with the maturity of 10 years and a coupon rate of 4.32% per annum. The repayment of the bonds is guaranteed by a bank in the PRC.*

(b) *The bank loans of approximately RMB3,069 million (31 December 2007: RMB968 million) are secured by the following assets of Group:*

	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Property, plant and equipment	**4,036,653**	1,012,671
Prepaid lease payments	**370,021**	406,368
Investment properties	**240,610**	242,681
Bills receivables	**159,238**	288,910
Trade receivables	**11,885**	—
Cash and cash equivalents	**440,135**	686,779
	5,258,542	2,637,409

Analysed for reporting purposes:

	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited)
Non-current	**7,393,309**	4,717,660
Current	**17,094,878**	8,663,614
	24,488,187	13,381,274

The interest rates of the borrowings are ranging from 5.02% to 10.7% per annum during the period (2007: 3.69% to 10.86%).

20. ACQUISITION OF SUBSIDIARIES/BUSINESSES

During the period, the Group acquired 30 subsidiaries/businesses from independent third parties. The acquired subsidiaries/businesses are principally engaged in the production and sale of cement.

These acquisitions have been accounted for using the purchase method.

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

	Acquirees' carrying amounts before combination *RMB'000*	Fair value adjustments *RMB'000*	Fair value *RMB'000*
Net assets acquired:			
Property, plant and equipment	5,960,209	925,737	6,885,946
Intangible assets	93,374	54,347	147,721
Prepaid lease payments	489,547	447,646	937,193
Deferred tax assets	154,673	(152,594)	2,079
Deposits	37,999	—	37,999
Inventories	482,223	—	482,223
Trade and other receivables	1,356,994	—	1,356,994
Amounts due from the related parties	60,976	—	60,976
Pledged bank deposits	275,734	—	275,734
Cash and cash equivalents	458,894	—	458,894
Trade and other payables	(2,657,872)	—	(2,657,872)
Income tax payable	5,820	—	5,820
Dividends payable to minority shareholders of subsidiaries	(633)	—	(633)
Amounts due to the related parties	(960,797)	—	(960,797)
Borrowings	(4,244,052)	—	(4,244,052)
Financial guarantee contracts	(12,840)	—	(12,840)
Obligations under finance leases	(61,958)	—	(61,958)
Deferred tax liabilities	(9,878)	(204,338)	(214,216)
Net assets	1,428,413	1,070,798	2,499,211
Minority interests			(149,434)
Goodwill			1,606,022
Discount on acquisition of subsidiaries			(36,763)
Total consideration			3,919,036

20. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Net assets acquired in the transactions, and the goodwill arising, are as follows: *(Continued)*

	Acquirees' carrying amounts before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Total consideration satisfied by:			
Cash paid			1,534,546
Deposits paid in last year			344,370
Other payables			1,804,915
Amounts due to minority shareholders of subsidiaries			235,205
Total consideration			3,919,036
Net cash outflow arising on acquisition:			
Cash consideration paid during the period			1,534,546
Less: Cash and cash equivalents acquired			458,894
			1,075,652

The fair values of the property, plant and equipment, intangible assets and prepaid lease payments acquired have been determined on a provisional basis, awaiting the receipt of professional valuations.

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

Included in the profit for the period is RMB150 million attributable to the additional business generated by these new acquired cement companies.

Had these business combinations been effected at 1 January 2008, the revenue of the Group would be RMB10,843 million, and profit for the period of the Group would be RMB662 million. The directors of the Group consider these 'pro-forma' an approximate measure of the performance of the combined group on an annualised basis and reference point for comparison in future periods.

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21. CAPITAL COMMITMENTS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Capital expenditure of the Group contracted for but not provided in the financial statements		
— Acquisition of subsidiaries	**4,274,319**	2,300,510
— Acquisition of property, plant and equipment	**2,256,958**	1,028,777

22. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following undiscounted maximum amounts of potential future payments under guarantees:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Guarantees given to banks in respect of banking		
— facilities utilised by former related parties	**160,000**	597,360
— facilities utilised by independent third parties	**670,430**	920,290
	830,430	1,517,650

23. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2008, the Group entered into the following transactions with China National Building Material Group Corporation ("Parent") and its subsidiaries collectively ("Parent Group"), the associates of the Group and the minority shareholders of the Company's subsidiaries:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Provision of production supplies to		
— Parent Group	**67,270**	27,051
— Associates	**100,985**	6,006
— Minority shareholders of subsidiaries	**11,838**	21,705
	180,093	54,762
Provision of support services to Parent Group	**4,146**	3,507
Provision of technical consultation services to a minority shareholder of a subsidiary	**—**	3,000
Rental income in respect of supply of equipment to Parent Group	**4,216**	4,999
Rental income received from an associate	**6,448**	6,192
Supply of raw materials by		
— Parent Group	**36,501**	27,778
— Associates	**85,047**	66,907
— Minority shareholders of subsidiaries	**17,325**	8,460
	138,873	103,145
Interest income received		
— Associates	**2,177**	—
— Minority shareholders of subsidiaries	**2,077**	—
	4,254	—

23. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Provision of production supplies by		
— Parent Group	**18,544**	14,478
— Associates	**89,665**	197
— Minority shareholders of subsidiaries	**30,401**	4,608
	138,610	19,283
Provision of support services by		
— Parent Group	**6,859**	8,286
— Minority shareholders of subsidiaries	**—**	2,284
	6,859	10,570
Rendering of engineering services by Parent Group	**3,710**	2,902
Supplying of equipment by Parent Group	**9,549**	—

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

The Group operates in an economic environment currently, predominated by enterprises directly or indirectly owned or controlled by the PRC government (these enterprises other than the Parent Group, the associates of the Group and the minority shareholders of the subsidiaries are hereinafter collectively referred to as “State-Owned Enterprises”). During the six months ended 30 June 2008, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business. In establishing its pricing strategies and approval process for its products and services, the Group does not differentiate whether the counter-party is a State-Owned Enterprise. In the opinion of the directors, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

For the purpose of the interim financial report, the Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the six months ended 30 June 2008 as follows:

(i) Material transactions

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Sales	**312,744**	222,575
Purchases	**1,248,499**	624,759
Finance costs	**299,544**	167,034

(ii) Material balances

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade and other receivables	**184,584**	113,469
Trade and other payables	**185,031**	189,646

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

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

23. RELATED PARTY TRANSACTIONS *(Continued)*

(c) As 30 June 2008, the Group has the following amounts due from and to related parties

	30.6.2008 **RMB'000** **(unaudited)**	31.12.2007 RMB'000 (audited)
Amounts due from related parties		
Trading in nature		
Fellow subsidiaries	**252,757**	279,066
Associates	**27,937**	26,460
Minority shareholders of subsidiaries	**53,237**	11,165
	333,931	316,691
Non-trading in nature:		
Associates	**152,220**	72,720
Minority shareholders of subsidiaries	**11,160**	—
	163,380	72,720
	497,311	389,411
Amounts due to related parties		
Trading in nature:		
Fellow subsidiaries	**22,313**	71,583
Associates	**35,963**	69,517
Immediate holding company	**4,457**	1,676
Minority shareholders of subsidiaries	**3,097**	2,829
	65,830	145,605
Non-trading in nature		
Fellow subsidiaries	**13,805**	—
Associates	**9,181**	—
Minority shareholders of subsidiaries	**1,272,096**	1,255,516
	1,295,082	1,255,516
	1,360,912	1,401,121

23. RELATED PARTY TRANSACTIONS *(Continued)*

(c) As 30 June 2008, the Group has the following amounts due from and to related parties *(Continued)*

As at 30 June 2008, amounts due from related parties of RMB143 million (31 December 2007: Nil) carry fixed interests, which range from 6.57% to 7.47% per annum. As at 31 December 2007, amounts due from related parties of RMB60 million carried the variable loan interest rates stipulated by the bank for the corresponding period, which ranged from 5.67% to 6.57% per annum. The remaining balances of amounts due to related parties are interest-free.

As at 30 June 2008, amounts due to related parties of RMB747 million (31 December 2007: RMB685 million) carry variable interests stipulated by the bank for the corresponding period, which range from 5.48% to 7.56% (31 December 2007: 6.48% to 7.47%). As at 31 December 2007, amounts due to related parties of RMB35 million carried fixed interest at rate of 6.03% per annum. The remaining balances of amounts due to related parties are interest-free.

(d) Remuneration to key management

The key management personnel compensations during the six months ended 30 June 2008 are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Short term benefits	**7,523**	4,840
Post-employment benefits	**40**	36
	7,563	4,876

24. EVENTS AFTER THE BALANCE SHEET DATE

a) On 10 July 2008, the Company and Gansu Qilianshan Cement Group Company Limited 甘肅祁連山水泥集團股份有限公司 ("Gansu Qilianshan"), a company listed on the Shanghai Stock Exchange, entered into a joint investment agreement ("Joint Investment Agreement") under which the Company and Gansu Qilianshan agreed to jointly invest in the new suspension preheater dry process cement projects. Under the Joint Investment Agreement, the Company agreed to acquire 49% interest in Qinghai Qilianshan Cement Company Limited, a wholly owned subsidiary of Gansu Qilianshan, for a consideration of RMB42.14 million. In addition, Gansu Qilianshan and the Company agreed to contribute a total of RMB163.2 million and RMB156.8 million as registered capital, representing equity interest of 51% and 49% respectively, for establishment of Chengxian Qilianshan Cement Company Limited 成縣祁連山水泥有限公司, Baiyin Qilianshan Cement Company Limited 白銀祁連山水泥有限公司, and Gangu Qilianshan Cement Company Limited 甘谷祁連山水泥有限公司.

b) On 28 July 2008, the Company issued short-term debentures of RMB2.4 billion with a maturity period of 365 days and a fixed interest rate of 5.2% per annum. The principal will be repaid together with interests on the maturity date.

c) Subsequent to 30 June 2008, the Group has completed the acquisition of 11 subsidiaries engaged in the production and sale of cement for an aggregate consideration of approximately RMB2,452 million.

The Company has commenced considering the fair value of the net assets acquired in these transactions but is not yet in a position to disclose the financial information of the acquisition.

25. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements set out on pages 36 to 60 have been approved and authorised for issue by the Board of Directors on 26 August 2008.