



CNBM

China National Building Material Company Limited*

中 國 建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

Overseas Regulatory Announcement

Final results of Beijing New Building Material Company Limited for the year ended 31 December 2007

This is not the announcement of the audited financial results of China National Building Material Company Limited (“CNBM”) for the year ended 31 December 2007. This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This announcement is the summary of the 2007 Annual Report of Beijing New Building Material Company Limited (“the Company” or “BNBM”). The annual report of BNBM and related information in Chinese were disclosed to the public of the People’s Republic of China (“the PRC”) on 24 March 2008 in accordance with the Rules Governing the Listing on Shenzhen Stock Exchange, the English translation of which is extracted and prepared by CNBM for information only.

BNBM, a company listed on Shenzhen Stock Exchange and incorporated in accordance with the laws of the PRC, is a subsidiary 52.40% owned by CNBM. The 2007 annual report of BNBM was published at the website designated by Shenzhen Stock Exchange on 24 March 2008. The audited financial statements of BNBM have been prepared in accordance with the PRC GAAP. Set out below is the summary of its 2007 Annual Report.

Beijing, the PRC, 24 March 2008

Beijing New Building Material Company Limited

Summary of 2007 Annual Report

1. IMPORTANT NOTICE

1.1 The board of directors (“the Board”), the supervisory committee, all directors, supervisors and the senior management of Beijing New Building Material Company Limited (“the Company” or “BNBM”) confirm that there are no misrepresentation or misleading statements contained in or material omissions from this report, and accept joint and several responsibility for the truthfulness, accuracy and completeness of the contents of this report.

This summary of annual report has been extracted from the full text of the 2007 annual report of the Company. Investors should read full text of the annual report for details.

1.2 None of the directors, supervisors or senior management of the Company has made any statement that he could not confirm or otherwise has expressed any objection to the truthfulness, accuracy and completeness of the annual report.

1.3 All directors attended the Board meeting.

1.4 A standard unqualified auditors’ report has been issued to the Company by Zhong He Zheng Xin Certified Public Accountants Company Limited.

1.5 Mr. Cao Jianglin (Chairman of the Company) and Ms. Yang Yanjun (Chief Accountant and Financial Manager) have declared that they are responsible for the truthfulness and completeness of the financial statements in the annual report.

2. COMPANY PROFILE

2.1 Basic information

Stock name	北新建材
Stock code	000786
Stock exchange of listing	Shenzhen Stock Exchange
Registered address	No. A-11 Sanlihe Road Haidian District Beijing
Post code of registered address	100037
Office address	China National Building Material Plaza No. A-11 Sanlihe Road Haidian District Beijing
Post code of office address	100037
Internet website	http://www.bnbm.com.cn
Email	bnbm@bnbm.com.cn

2.2 Contact person and method

		Securities Affairs Representative
Name	Secretary to the Board Jia Jianjun	Du Xin
Correspondence address	No. 16, Jian Cai Cheng West Road Xi San Qi, Haidian District Beijing	No. 16, Jian Cai Cheng West Road Xi San Qi, Haidian District Beijing
Telephone	010-82982787	010-82981786
Facsimile	010-82915566	010-82982834
Email	jjj@bnbm.com.cn	duxin@bnbm.com.cn

3. ACCOUNTING AND BUSINESS HIGHLIGHTS

3.1 Major accounting data

Unit: RMB

	2007	2006		Increase/ decrease from last year (%)	2005	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating revenue	3,143,233,772.46	2,781,277,325.56	2,935,420,984.34	7.08	2,062,898,751.95	2,131,577,865.29
Total profit	308,084,068.30	217,095,970.27	220,873,973.19	39.48	175,347,227.58	181,500,701.27
Net profit attributable to shareholders of the listed company	202,065,014.34	146,155,608.99	154,374,976.73	30.89	120,157,743.28	125,518,875.03
Net profit after extraordinary items attributable to shareholders of the listed company	166,938,363.97	111,469,098.02	121,514,828.37	37.38	119,233,820.08	122,614,605.29
Net cash flow from operating activities	142,895,785.55	266,010,367.28	266,010,367.28	-46.28	108,244,590.90	108,244,590.90
	31 December 2007	31 December 2006		last year(%)	31 December 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	5,336,682,977.86	4,887,814,356.90	4,900,687,204.18	8.90	4,534,402,594.85	4,538,793,601.23
Owner's equity (or shareholders' equity)	1,740,678,559.96	1,574,326,133.25	1,586,060,615.45	9.75	1,467,850,914.14	1,471,840,977.61

3.2 Major financial indicators

Unit: RMB

	2007	2006		Increase/ decrease from last year (%) After adjustment	2005	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Basic earnings per share	0.351	0.254	0.268	30.97	0.209	0.218
Diluted earnings per share	0.351	0.254	0.268	30.97	0.209	0.218
Basic earnings per share after extraordinary items	0.290	0.194	0.211	37.44	0.207	0.213
Return on net assets (fully diluted)	11.61%	9.28%	9.73%	1.88	8.19%	8.53%
Return on net assets (weighted average)	12.14%	9.61%	10.10%	2.04	8.44%	8.80%
Return on net assets after extraordinary items (fully diluted)	9.59%	7.08%	7.66%	1.93	8.12%	8.33%
Return on net assets after extraordinary items (weighted average)	10.03%	7.33%	7.95%	2.08	8.37%	8.60%
Net cash flows from operating activities per share	0.248	0.463	0.463	-46.44	0.188	0.188

	31 December 2007	31 December 2006		Increase/ decrease from last year(%)	31 December 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Net asset per share attributable to shareholders of the listed company	3.026	2.737	2.758	9.75	2.552	2.559

Extraordinary items

Applicable Not applicable

Unit: RMB

Extraordinary item	Amount
Gain/loss on disposal of non-current assets	5,107,699.07
Government subsidy accounted for as profit/loss during the period	21,369,066.91
Capital fee received from non-financial institutions through profit and loss	11,929,349.21
Profit from merger at cost lower than the share of fair value of merged identifiable net assets	2,475,458.89
Gains from debt restructuring	386,175.45
Expenses to reduce welfare payable	11,798,551.03
Net non-operating income and expenses other than the above items	-7,738,172.10
Less: Impact on income tax	5,094,551.97
Less: Impact on minority interests	5,106,926.12
Total	35,126,650.37

Items measured at fair value

Applicable Not applicable

Unit: RMB

Items	Opening balance	Closing balance	Changes during the period	Impact on the profit of the current period
Trading financial assets	18,250,000.00	97,239,550.95	78,989,550.95	16,643,794.32
Total	18,250,000.00	97,239,550.95	78,989,550.95	16,643,794.32

3.3 Difference in the PRC and international accounting standards

Applicable Not applicable

4. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

4.1 Changes in share capital

Unit: share

	Before change		Change (+/-)					After change	
	Number	Percentage	Issue of new shares	Bonus shares	Share converted from public reserve	Others	Sub-total	Number	Percentage
I. Shares subject to trading moratorium	301,565,960	52.43%				-28,806,490	-28,806,490	272,759,470	47.43%
1. State-owned shares									
2. State-owned legal person shares	301,370,000	52.40%				-28,757,500	-28,757,500	272,612,500	47.40%
3. Other domestic shares	195,960	0.03%				-48,990	-48,990	146,970	0.03%
including: domestic non state-owned legal person shares									
domestic individuals shares	195,960	0.03%				-48,990	-48,990	146,970	0.03%
4. Foreign-investment shares									
including: overseas legal person shares									
overseas individuals shares									
II. Shares not subject to trading moratorium	273,584,040	47.57%				28,806,490	28,806,490	302,390,530	52.57%
1. Renminbi-denominated ordinary shares	273,584,040	47.57%				28,806,490	28,806,490	302,390,530	52.57%
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total Number of Shares	575,150,000	100.00%						575,150,000	100.00%

Change in shares subject to trading moratorium

Unit: share

Name of shareholders	Number of shares subject to trading moratorium at the beginning of year	Number of shares with trading moratorium released in 2007	Number of additional shares subject to trading moratorium in 2007	Number of shares subject to trading moratorium at the end of year	Reason for trading moratorium	Expiry date of trading moratorium
China National Building Material Company Limited	301,370,000	28,757,500	0	272,612,500	Share Reform	29 June 2007
Lu Jinshan	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Cui Lijun	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Zhang Nailing	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Bao Wenchun	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Zhou Jiming	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Zhou Huan	30,420	7,605	0	22,815	Shares held by senior management were frozen	22 May 2007
Zhang Chengong	1,200	300	0	900	Shares held by senior management were frozen	22 May 2007
Total	301,553,720	28,803,430	0	272,750,290	—	—

4.2 Particulars of the top 10 shareholders and the top 10 holders of shares not subject to trading moratorium

Unit: share

Total number of shareholders 89,064

Particulars of the top 10 shareholders

Name of shareholders	Nature of shareholder	Percentage in share capital	No. of shares held	No. of shares subject to trading moratorium	No. of shares under pledged or frozen
China National Building Material Company Limited	State-owned legal person	52.40%	301,370,000	272,612,500	0
Bank of China-Jiashi Hushen 300 Index Securities Investment Fund	Others	0.33%	1,873,492	0	0
Zhang Hongfei	Others	0.22%	1,280,000	0	0
Xuzhou Taiyong Materials Company Limited (徐州市泰永物资有限公司)	Others	0.17%	981,606	0	0
Guo Zeming	Others	0.15%	854,725	0	0
He Xiaoling	Others	0.14%	816,500	0	0
Dai Wenwei	Others	0.11%	642,563	0	0
Zhu Quxiu	Others	0.11%	637,000	0	0
Wang Xin	Others	0.09%	490,000	0	0
Tong Sufen	Others	0.08%	480,240	0	0

Particulars of the top 10 holders of shares subject to no trading moratorium

Name of shareholders	Number of shares not subject to trading moratorium held	Type of share
China National Building Material Company Limited	28,757,500	Ordinary shares denominated in RMB
Bank of China-Jiashi Hushen 300 Index Securities Investment Fund	1,873,492	Ordinary shares denominated in RMB
Zhang Hongfei	1,280,000	Ordinary shares denominated in RMB
Xuzhou Taiyong Materials Company Limited (徐州市泰永物资有限公司)	981,606	Ordinary shares denominated in RMB
Guo Zeming	854,725	Ordinary shares denominated in RMB
He Xiaoling	816,500	Ordinary shares denominated in RMB
Dai Wenwei	642,563	Ordinary shares denominated in RMB
Zhu Quxiu	637,000	Ordinary shares denominated in RMB
Wang Xin	490,000	Ordinary shares denominated in RMB
Tong Sufen	480,240	Ordinary shares denominated in RMB

Connections among the
aforesaid shareholders
or statement on parties
acting in concert

Among the top 10 shareholders of the Company, there is no connection between China National Building Material Company Limited (controlling shareholder) and other shareholders. None of the shareholders is a party acting in concert as defined in Measures for Disclosure of Changes in Shareholdings of Listed Company's Shareholders. The Company is not aware of any connection among other shareholders nor the fact that whether other shareholders are parties acting in concert.

4.3 Controlling shareholder and ultimate controlling shareholder of the Company

4.3.1 *Changes in controlling shareholder and ultimate controlling shareholder of the Company*

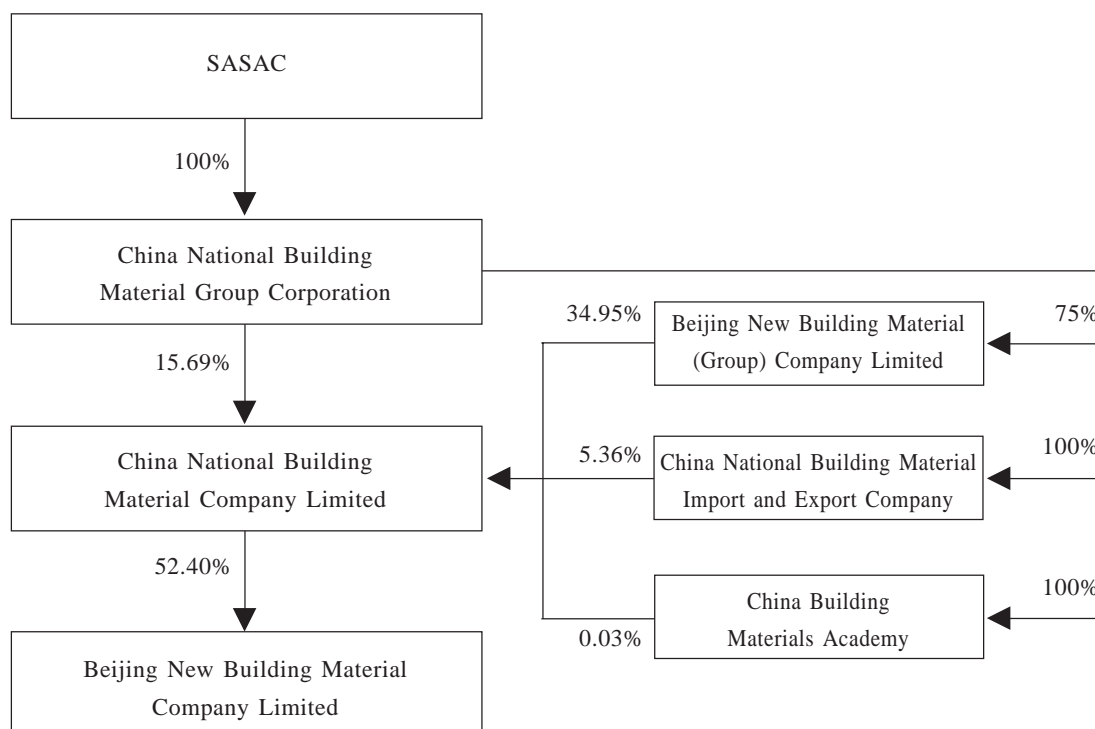
Applicable Not applicable

4.3.2 *Particulars of controlling shareholders and ultimate controlling shareholder of the Company*

China National Building Material Company Limited (“CNBM”), the controlling shareholder, holds 52.40% interests in the Company. Established on 28 March 2005, its legal representative is Song Zhiping with registered capital of RMB2,208,488,000 and its registered place is No. A-11 Sanlihe Road, Haidian District, Beijing. CNBM is mainly engaged in technological development, production and sales of new building materials and products, alternative house, cement and products, glass fiber and products, composite materials and products; warehousing, sales and distribution of building materials; technological development, engineering design and EPC (engineering, procurement and construction) contracting of cement and glass production lines; engineering design and EPC contracting of new building materials production lines; and related technological consultancy and information services; contracting project investigation, consultancy, design and supervising of overseas building materials, construction and light textile industry; import and export business.

China National Building Material Group Corporation, the ultimate controlling shareholder, was established on 3 January 1984. Its legal representative is Song Zhiping and its registered capital is RMB3,723,000,000. Its registered address is No.2 Zizhuyuan South Road, Haidian District, Beijing. It is primarily engaged in the business of building materials (including steel products and timber, but only limited to procurement and supply for the direct enterprises and government units under the system) and auxiliary raw materials, research and development, wholesale and retail of production technology equipment, and supply of sedans under the plan of the system; contracting of design and construction of new-model building material houses, factories and ornament and decoration engineering. Concurrent operations include real estate business focusing on new-model building material as well as technological consultancy and information services related to principal and concurrent operations.

4.3.3 Illustration of shareholding and controlling relationship between the Company and its ultimate controlling shareholder



5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in shareholdings of directors, supervisors and senior management and their remunerations

Name	Position	Sex	Age	Beginning and expiry date of office	Number of shares held at 1 January 2007	Number of shares held at 31 December 2007	Reason for change	Annual remuneration from the Company (RMB'000)	Particulars of share incentives granted during reporting period			Market price of share at the end of the period	Whether receiving remuneration from shareholder or other connected parties
									Number of exercisable shares	Number of shares exercised	Exercise price		
Cao Jianglin	Chairman	Male	41	19 October 2004 to present	0	0	—	3.6	—	—	—	—	Yes
Lu Jinshan	Director	Male	56	19 October 2004 to present	30,420	22,815	Traded in secondary market	3.6	—	—	—	—	Yes
Wang Bing	Director General Manager	Male	35	16 April 2004 to present 27 February 2004 to present	0	0	—	30	—	—	—	—	No
Cui Lijun	Director	Female	47	27 June 2003 to present	30,420	30,420	—	3.6	—	—	—	—	Yes
Zhang Nailing	Director Deputy General Manager	Male	53	16 April 2004 to present 23 August 2005 to present	30,420	30,420	—	17.6	—	—	—	—	No
Guang Zhaoyu	Director	Female	46	27 June 2003 to present	0	0	—	3.6	—	—	—	—	Yes
Wang Junsheng	Independent Director	Male	47	27 June 2003 to present	0	0	—	6	—	—	—	—	No

Liu Wenhui	Independent Director	Male	39	27 June 2003 to present	0	0	—	6	—	—	—	—	No
Zheng Jiayun	Independent Director	Male	37	27 June 2003 to present	0	0	—	6	—	—	—	—	No
Bao Wenchun	Chairperson of Supervisory Committee	Male	53	19 October 2004 to present	30,420	22,815	Traded in secondary market	3.6	—	—	—	—	Yes
Hu Jinyu	Supervisor	Female	38	26 September 2005 to present	0	0	—	3.6	—	—	—	—	Yes
Zhou Jiming	Supervisor	Male	45	27 June 2003 to present	30,420	30,420	—	8	—	—	—	—	No
Jia Tongchun	Deputy General Manager	Male	47	23 August 2005 to present	0	0	—	0	—	—	—	—	No
Zhou Huan	Deputy General Manager	Male	52	27 June 2003 to present	30,420	30,420	—	14	—	—	—	—	No
Jia Jianjun	Deputy General Manager and the Secretary to the Board of Directors	Male	43	4 March 2005 to present	0	0	—	14	—	—	—	—	No
He Jingjing	Deputy General Manager	Male	51	27 February 2004 to present	0	0	—	14	—	—	—	—	No
Yang Yanjun	Deputy General Manager, Chief Accountant	Female	40	26 September 2005 to present	0	0	—	14	—	—	—	—	No
Zhang Chengong	Deputy General Manager	Male	35	23 January 2006 to present	1,200	1,200	—	14	—	—	—	—	No
Total	—	—	—	—	183,720	168,510	—	165.2	—	—	—	—	—

The number of share options of the Company held by the above persons and shares of restricted shares granted

Applicable Not applicable

6. REPORT OF THE DIRECTORS

6.1 MANAGEMENT DISCUSSION AND ANALYSIS

The Company is the largest research and development, production and sale base of new building materials in the PRC, and is the largest comprehensive manufacturer and system integrator of new building materials in China. The Company is mainly engaged in technological development, manufacture and of new building materials, new-model wall materials, plumbing fitting, decoration materials, energy technologies and products, building materials machinery, equipment and facilities and new building materials houses, and development and utilization of environmental friendly and energy saving products. The Company has established three operations: the wall and ceiling system composed of gypsum board, metal frames, mineral wool board and ancillary products; the residential sector business system including doors and windows energy saving, heating energy saving, insulation energy saving and environmental protection paints which focused on energy saving of buildings; fiber-cement external wall board system, cement roof tile system and mixed steel structure multi-tier building system which focused on fiber-cement board.

I. Business Review during the Reporting Period

(I) Overall Business Performance

Adhering to its operating guideline “Strengthen advantageous operation, accelerate developing construction, specialise internal management and explore efficient synergy”, in 2007, BNBM focused on:

1. Enhancing channel construction, strengthening marketing, improving sales quality and maintaining brand image

During the reporting period, the Company continued its strategy of “flattening and intensive channel”, put more efforts in exploring markets in second and third tier cities, integrated channel resources and gave the synergy a full play, thus achieving steady growth in market capacity. The Company carried out marketing campaign named “Travelling Dragon” in over 10 cities countrywide and attached more importance in marketing of important and landmark projects leveraging the opportunities of Beijing Olympic project construction and civilization construction in other cities. As a result, the Company won the bidding of projects including new CCTV station and Phase III of China World Trade Center, the highest building in Beijing, in succession. The Company further tightened the policies on selling price and collection of trade receivables and strengthened risk control on receivables. Receivables for sales in the year achieved 100% collection, and certain accounts receivable incurred in previous years were also collected. Based on the market positioning of high price for high quality, the Company raised the selling price strategically, avoiding the vicious competition which boost sales volume by lowering price, thus securing the profitability of sales. A high-tech anti-counterfeiting system was adopted by the Company for its principal products including gypsum board and lightweight metal frame for the purpose of further striking the fake and protecting its interests. Accordingly, the market image of Dragon-branded products was safeguarded.

2. Expediting the construction of industrial bases countrywide to put development strategy on industry layout into full play

During the reporting period, the Company accelerated the construction of industrial bases on gypsum board across the country guided by its gypsum board development planning in the coming 3-5 years. The Company has completed over half of the main structure construction for gypsum board project with annual capacity of 30,000,000 square meters in Ningbo of Zhejiang and Taicang of Jiangsu respectively, with part of equipment being qualified for installation. Furthermore, the gypsum board projects with annual capacity of 30,000,000 square meters in Zhaoqing of Guangdong, Wuhan of Hubei and Guangan of Sichuan have completed preliminary preparations and exploration design basically and commenced the construction respectively. No. 4 gypsum board production line in Zhuozhou has commenced operation. No. 3 gypsum board production line in Zaozhuang has completed the acceleration renovation. In addition to the said gypsum board projects, the 5,000-tonne lightweight metal frame project in Shandong has commenced production.

3. Strengthening brand building to enhance company image

During the reporting period, the “Dragon” branded acoustical ceiling board was awarded as “China Renowned Products” granted by General Administration of Quality Supervision, Inspection and Quarantine of PRC and China Top Brand Strategy Promotion Committee. The “Dragon” branded gypsum board and decoration gypsum board past China Environmental Labelling Certification for the first time. The “Dragon” branded acoustical ceiling board and “Dragon” branded paints and pipes passed site supervision and examination for China Environmental Labelling Certification. The “Dragon” branded acoustical ceiling board was listed in the first batch of Government procurement list.

4. Expanding international operation to enhance international influence

During the reporting period, the Company suffered many unfavourable factors such as adjustments in macro export policies including the lower export rebate rate and RMB appreciation, and changes in international economic situations including sluggish gypsum board market in USA. In view of these, the Company explored emerging market through various channels, adding 14 distributors/countries. Meanwhile, it established favourable information transfer channels with commercial departments under embassies of Sudan, Mongolia, South Africa, Ukraine, Kazakhstan and Russia, and kept close contact with non-governmental organizations such as Africa-invest.net, CCPIT, and Administration Commission of Zhongguancun. Furthermore, the Company achieved great breakthrough in export of steel structured houses.

5. Promoting “integrated, parternized, streamlined, systemized and digitized” management to increase operating efficiency

During the reporting period, the Company carried out the “integrated, parternized, streamlined, systemized and digitized” management mode. At the same time, it reengineered management in a continuous manner and enhanced the internal control on a comprehensive basis, thus improving the standardization and level of management. The Company put its focus on implementation of QES management system for the purpose of improving operation management of the Company. It enhanced internal audit training to major employees and organized its subsidiaries to formulate indicators for QES management targets, made follow-up investigations and coordination. Regarding the quality management as a fundamental work, the Company reviewed and revised the product standard system of the Company, participated in the QC team activities organized by Beijing City and China Building Material Industry Association, being awarded titles such as “Excellence Enterprise of QCC”.

Through all these efforts, the Company recorded growth in operating results in 2007 as compared with last year. During the reporting period, the Company recorded operating revenue of RMB3,143,233,800, up 7.08% over last year; operating profit of RMB286,781,300, an increase of 33.17% over last year; and net profit of RMB202,065,000, representing an increase of 30.89% over last year.

(II) Investment in R&D and Proprietary Innovation

1. Strengthening environmental monitoring and environmental protection

During the reporting period, the Company further strengthened environmental monitoring management as well as supervision and check to environmental protection sites, monitoring the whole process of water, gas and sound, and further normalizing and strictly executing the System of Solid Waste Treatment. Furthermore, it organized relevant employees for occupational health physical check-up and smoothly passed “The First Survey of Hazards of Occupational Disease at Operation Site in Beijing”.

2. Adhering to energy saving and consumption reduction

During the reporting period, having implemented the management policy of: “Environmental Protection, Resource Saving, Cost Reduction and Safe Production” and organized to formulate the Implementation Scheme on Energy Saving and Emission Reduction, the Company effectively controlled main discharges including water consumption, SO₂, industrial dust and COD by taking many measures of energy saving and emission reduction such as application of water reducing agent of gypsum board, application of desulphuric gypsum, technology of reusing white water in papermaking, recovery of residual heat from steam of the paper surfaced gypsum board, drying the paper surfaced gypsum board through hot wind and renovation of major dust collection facilities. Furthermore, the Company proactively organized technological renovation to the substation and switchboard room, effectively reducing non-loaded loss.

3. Increasing investment in R&D and building a central laboratory

The Company lay emphasis on constructing a building board development institution and a central laboratory with advanced level in China, and increased investment in instruments and equipment of the original laboratory during the reporting period. Simultaneously, leveraging the nationally certified corporate technology center, the Company started the construction work of the building board experimental and pilot production base, established a test-stand of paper surfaced gypsum boards of BNBM by capitalising on idle industrial factory. Upon completion, the test-stand will become the experimental and pilot production base of the Company's new products, new process and new technology of the gypsum board.

4. Passing the evaluation for the nationally certified corporate technology center

During the reporting period, the Company participated in the evaluation work of the nationally certified corporate technical centre for 2007 and smoothly passed the evaluation, which fully displayed its strengths of its technical centre in terms of 20 indexes of system and mechanism, strengths and capability of R&D, and work performance.

5. Applying for technological innovation projects and obtaining special fund support

During the reporting period, the Company attached importance to application for and participation in the national technological innovation projects and obtained special fund by successfully applying for many major subjects including development project of innovation capability of the nationally certified corporate technical centre organized by SDRC, the “11th Five-year” technological support plan organized by Ministry of Science and Technology, Special Fund on “Innovatively Application of Self-independent Intelligent properties and technical standards by enterprises” organized by Beijing Municipal Science & Technology Commission, national high-tech industrialized project, exemplary project of energy saving and discharge reduction in the national technological support plan and special fund for patent strategy of exemplary park of Beijing Zhongguancun. Moreover, the project of producing paper surfaced gypsum board by comprehensively using desulphuric gypsum applied by the Company’s subsidiary, Taishan Gypsum Co., Ltd., was listed by Environment Resources Division of SDRC as a national-debt project for environmental protection and comprehensive utilization of resources.

In addition, the Company made remarkable achievements in technological innovation and application for patents. Four projects including “the Conduction Oil Heating System of Gypsum Board with Annual Capacity of 30,000,000 Square Meters” won the First Technical Renovation Award of the Building Material Industry, the project of “Manufacture of Research for New Design and Colour of Aglaia Odorata Mineral Wool Acoustical Ceiling Panels” won the 2006 Technological Award granted by China Building Material Industry Association and The Chinese Ceramic Society, two projects including K-Serial fibercement board (cavity fibre cement external wall board) won Technological Progress Award on Building Materials granted by Beijing Building Material Association and Beijing Ceramic Association, and three projects of Taishan Gypsum won Technological Progress Award and Technical Renovation Award granted by Department of Science & Technology of Shandong Province and China Building Materials Federation. During the reporting period, the Company applied for 36 patents in total. As at 31 December 2007, the Company applied for 515 patents in total, with the number and the possession quantity of patents ranking top in the national building material industry.

(III) Analysis of External Operation Environment, Product Characteristics and Industry Position

1. Present situation and prospect of external operation environment

- (1) World economy and situation in international building materials market. The world economy continued to maintain a growth momentum in 2007 while the emerging economies including China, India and Russia played an important role in world economy growth. It is expected that the world economy may tend to grow slowly in 2008 while the demands on building material products will remain noticeable in the international markets.

- (2) Economic growth and development of building materials in China. From 2003 to 2007, China's economy maintained a growth speed of over 10% for five consecutive years. It is expected that the GDP growth will slow down and the investment on fixed assets will suffer a further setback in 2008. The economy growth of China will be more dependent on domestic demands. As a key industry promoting national economy, building materials industry correlates closely with macro economy performance. With sound growth of domestic building materials industry and buoyant market demands in recent years, the concentration of the industry was further expedited, which was propitious to the growth of large enterprises. The building materials industry is expected to maintain its development trend in 2007 and continue its steady growth in 2008. In particular, during the "11th Five-year Plan" period, the PRC will put efforts in building up a recycling economy as well as a conservation-minded and environment-friendly society for sustainable development. Products featuring energy, water, land and materials saving will be advanced, while new building material sector of environmental protection and energy saving will witness a faster expansion under the background of adjustment in the industry structure and energy saving and emission reduction.

2. Product characteristics

- (1) Energy, water, land, materials saving and environmental protection. The Company's new building material products, including gypsum board, mineral wool board and rock wool products featuring energy, water, land and materials saving, comprehensive utilization of resources and environmental friendly characteristics, are all energy saving and environmentally friendly products. Based on gypsum board, the Company has developed ten product lines of "Dragon"-branded building materials with the said characteristics and house system featuring energy and land saving, providing innovative product system and application technology for the country's energy saving undertaking.

- (2) Comprehensive utilization to resources. The Company attaches great importance on the recycling economies featuring comprehensive utilization to resources. It takes full use of industry waste and slag while manufacturing such products, providing an effective solution against industrial waste pollution. For instance, the gypsum board is made from desulphuric gypsum in power plants and recycled paper, whilst mineral wool board and rock wool products are made from slag from furnace of steel plants. In addition, industrial waste during production processes of paper surfaced gypsum board and mineral wool board are 100% recycled, and all industrial sewage are also reused after treatment.

3. Industry position

As the dominant player in domestic new building materials industry, BNBM takes a leading position in the industry in terms of branding, quality, technology, scale and profitability.

- (1) **Brand.** The Company is the only company that has been granted the title of “Double Green Stars” in the building materials industry. The Dragon branded products won awards and titles such as National Quality Award (the only one in the building material industry), National Reputed Trademark, and National Leading Brand. The Company’s “Dragon” branded gypsum board and Taihe’s “Taishan” branded gypsum board were recognized as “China Renowned Products” in 2006. The “Dragon” branded gypsum board was awarded as National Famous Brand and China Number One Brand of the Most Influential Gypsum Board. The “Dragon” branded lightweight metal frames was recognized as “Renowned Products in Beijing”. In 2007, the Company’s “Dragon” branded mineral wool acoustical ceiling panels was recognized as “China Renowned Products”.
- (2) **Quality.** With stringent quality management system, the Company was recognized as national and Beijing “Model Enterprise for Both Quality and Efficiency” and was given special awards. Meanwhile, the Company was selected as Grade AAA Enterprise in Quality Reputation during the spot check of quality organized by National and Beijing Municipal Bureau of Quality and Technical Supervision respectively.
- (3) **Technology.** With solid strength on new building materials production technology and new product development, the Company has nationally certified corporate technology center, equipping with integrated technical innovative system. The Company is the national pilot and model enterprise for patents and national model enterprise for patents work. It has applied for 515 patents, joining the front ranks in the national building material industry in terms of the number of patent applications and possessive quantity.

- (4) **Scale.** As at 31 December 2007, the Group's production capacity for gypsum board amounted to approximately 400 million square meters per annum, ranking No.1 in the PRC and No.2 in Asia. The production capacity of the mineral wool board amounted to 16 million square meters per annum, ranking No.1 in the PRC and No.2 in Asia. The production capacity of lightweight metal frames amounted to 63,000 tonnes per annum, ranking No.1 in the PRC.
- (5) **Profitability.** For years, the Company's operating revenue and net profit has been growing rapidly. In 2007, the Company recorded operating revenue of RMB286,781,300, representing an increase of 33.17% from 2006 and net profit of RMB202,065,000, representing an increase of 30.89% from 2006.

II. Future Outlook

(I) Industry trend and market competition

1. Analysis of industry trend

With the growing social economy and accelerating urbanization, China has become a leading producer and consumer of building material products. Demonstrating a sound development trend with further sector concentration, building industry has evolved into a system of production and processing with complete categories. In future, the development trend of China's building industry lies in the following three aspects:

- (1) green, which means building materials industry shall realize energy, water, land and material saving and environmental protection during production, usage and waste disposal.
- (2) high quality, which means building materials industry will develop and upgrade itself in a way to create quality brand;
- (3) industrial processing, which means building materials industry will shift focus on processing from raw material production. It is symbolized by industrialization production, producing houses like producing cars.

New building materials are featured with light weight, temperature preserving, energy saving, land saving, convenient use, simplified construction which distinguish themselves from traditional building materials. They have significant meaning for resource consumption reduction, ecological environment protection, accelerating building industry and house industry modernization, and are deemed as a promising industry and the development direction. New building materials are not only in line with sustainable development strategy but also in compliance with state industry policy, with favourable market prospects.

2. Market competitions

Industrial participants in new building materials industry mainly include 3 tiers. The first tier is large corporations engaged in high-end products with global leading production equipment, technologies, research and development and product quality. The second tier is enterprises with middle-end products. The third tier is enterprises with low-end products. BNBM, as a player in the first tier, mainly faces competitions from domestic consortiums in the building materials industry.

(II) Future Opportunities, Challenges and Development Strategy

1. Future opportunities and challenges

BNBM's future opportunities include:

Firstly, during the 11th Five-year Plan period, the PRC will put efforts in building up a recycling economy as well as a conservation-minded and environment-friendly society for sustainable development. Products featuring energy, water, land and materials saving will be advanced, while processes and products with high consumption, serious pollution or obsolete technologies will be phased out forcefully. Energy and water saving products are encouraged for production and use, as well as energy and land saving buildings. Clay bricks will be restricted in use. More investment will be made in prevention and treatment of industrial pollution such as sulphur dioxide emitted from coal-fired power plants, as well as comprehensive utilization of resources. All such policies imply a promising prospect of BNBM. As paper surfaced gypsum board, a major product of BNBM, is a kind of new lightweight board which falls within the preferential industrial policies of the PRC, BNBM's large-scale production line of paper surfaced gypsum board will enjoy the support from the PRC government. In addition, gypsum board will benefit from a favourable market from the construction regulations prohibiting use of solid clay bricks, on-streaming projects of Beijing 2008 Olympics and the booming construction of high grade premises accordingly.

Secondly, BNBM's products are increasingly used in home decoration, a new consumption hot spot demonstrating a widening and upgrading trend. With China's fast-growing economy and overall advance toward well-off society, there arises higher requirement on quality of living, work and habitation environment, putting forward stricter standards for energy-saving and environment friendly materials, which are fully met by BNBM's products. This will further provides a favourable opportunity for BNBM's development in a maturing market along with the implementation of the PRC's policies and further improving public concern of energy-saving and environment protection.

Thirdly, China will further integrate itself into the world trade system during the 11th Five-year Plan period, a critical era following its accession to WTO. Therefore, with the increasing international trade, China-made new building materials should occupy more international market shares leveraging its advantages of high quality and low cost. As the largest comprehensive manufacturer and system integrator of new building materials in the PRC, BNBM has established partnership with a number of global renowned building materials suppliers, aiming at a larger niche in global building materials market through pooling bilateral strengths.

Fourthly, the successful holding of Beijing 2008 Olympics will boost the fast development of the PRC economy. Beijing will attract the world's attention in 2008. Capitalizing on its solid strengths in the building materials industry and its green philosophy, the Company has become one of the major suppliers for Beijing 2008 Olympics. The Company's projects include Olympic Games stadiums such as National Stadium (Bird's Nest) and National Swimming Center (Water Cube) and ancillary facilities of Olympic Games such as Beijing Olympic building, terminal 3 of Beijing Airport. The Olympic Games not only accelerated infrastructure constructions in Beijing and surrounding cities and will boost the development of regional economy and even national economy. Meanwhile, "Green Olympic" also will press ahead further development of building materials and energy-saving and environmental protection products, which enable the Company to leverage the brand fame acquired in the Olympic Games to expand potential market.

Coming along with opportunities are new challenges, including (1) resources limitation which imposes certain impact on the fast development of the Company based on the demand and supply of coal, electricity, oil and transportation; (2) greater price increase pressure of certain raw materials and fuels on manufacturing costs; (3) intensified competitions in new building materials market.

2. Business development strategy

Leveraging proprietary innovation and branding construction, BNBM is committed to manufacturing business of new building materials under its corporate philosophy of “Good use of resources to serve the industrial construction” in accordance with the requirement of conservation-minded society and the Scientific Development Theory. BNBM will devote itself into development of green building materials featuring energy, water, land and material saving, comprehensive utilization of resources and environmental protection, securing its position as the largest comprehensive manufacturer and system integrator of new building materials in the PRC and even Asia.

The Company’s strategic goal is to develop itself into a world-class new building materials industrial group to rank as the Asia No.1 and one of the world top 3 in its core business by 2010, which has its own developed brands and own intellectual property and can compete with players in other countries of the world.

(III) Business Plan for 2008

Adhering to its operating guideline “Strengthen advantageous operation, accelerate developing construction, specialising internal management and explore efficient synergy” in 2008, BNBM will focus on:

1. Expedite project construction and improve project construction management

The Company will expedite project construction and improve project construction management in a cost-effective and quick way, thus to finalize the layout of the national gypsum board industrial bases at early date.

2. Strengthen brand building to upgrade enterprise image

The Company will push forward application of China famous brand for “Dragon” brand and enhance recognition and value additions of “Dragon” brand and other products, aiming at a breakthrough in bidding China’s landmark and key projects to further improve brand influence of “Dragon” brand.

3. Enhance marketing ability and strengthen synergy advantages in sales

While expanding market share in first tier cities, the Company will attach priority to potential markets in second and third tier cities, expand the scope of synergy sale and improve efficiency of synergy sale, in order to boost sale revenue based on overall reduction of sale cost.

4. Strengthen performance assessment and enhance human resource management

In addition to carrying forward new remuneration system, the Company will strengthen performance assessment system and improve internal equity, to activate employee's potential to the maximum extent.

5. Strengthen management on technology renovation

The Company will further strengthen the technologically leading position among its peers, building technology into its core competitiveness and one of the major profit growth drivers.

6. Expand International Business

The Company will focus on its strength areas in international market to carry out pertinent marketing and improve the market influence of the "Dragon" brand there, and strengthen the investigation on overseas gypsum board industry landscape to lay a foundation for internationalization of the Company.

(IV) Financial Resources for Future Development Strategy

To meet the business plan and targets set for 2008, specific amount and utilization plan of working capital and funds for daily operation and key projects are formulated and subject to adjustment according to progress of business development. The Company satisfies its capital requirement mainly out of its internal financial resources, and is able to leverage a wide range of financing instruments when necessary.

(V) Risk Factors and Countermeasures

1. Market and price risks

The Company's revenue in the coming years is exposed to changes in market coverage and selling price for its principal products.

Countermeasures: Under the "Limited diversification" product development strategy, the Company's ten product lines are an advantage for risk diversification. Furthermore, the Company will capitalize on its leading position in the industry and advantages in branding, quality, technology, scale and cost to minimize exposure to market and price risks.

2. Risks in fuel and raw materials

The Company's cost in the coming years is exposed to shortage and price hikes of fuel and raw materials.

Countermeasures: Through expediting the layout of the national gypsum board industrial bases, the Company will maximize desulphuric gypsum emitted from thermal power plants to gradually replace natural gypsum. Meanwhile, the Company will explore revenue streams and cut down cost by managerial and technological innovations.

6.2 Principal operations by business and product

Unit: RMB0'000

By industry or product	Principal operations by business					
	Operating revenue	Operating cost	Operating profit (%)	Increase/ decrease in operating revenue from last year (%)	Increase/ decrease in operating cost from last year (%)	Increase/ decrease in operating margin from last year (%)
Manufacturing and sales	211,488.25	168,582.78	20.29	17.49	17.49	0.00
Export trade	61,219.76	55,454.13	9.42	-16.04	-15.71	-0.36

Principal operations by product

Gypsum board	138,353.27	100,441.14	27.40	22.21	19.60	1.59
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6.3 Principal operations by geographic region

Unit: RMB0'000

Region	Operating revenue	Increase/ decrease in operating revenue from last year (%)
The PRC	232,456.15	21%
Of which: Northern	126,727.76	24%
Southern	95,173.43	20%
Western	10,554.96	-1%
Overseas	64,572.67	-24%
Total	297,028.82	7%

6.4 Use of proceeds from subscription

Applicable Not applicable

Change in the projects

Applicable Not applicable

6.5 Use of non-publicly raised funds

Applicable Not applicable

Unit: RMB0'000

Project	Amount of the project	Progress of the project	Income from the project
Gypsum board project with annual capacity of 50,000,000 square meters in Zhuozhou, Hebei province	30,407.89	Commercial production	12.91
GRC external wall board project with annual capacity of 1,800,000 square meters in Suzhou, Jiangsu province	16,097 (budget)	Pilot production	Currently no profit
Gypsum board project with annual capacity of 30,000,000 square meters by comprehensive utilization of desulphuric gypsum in Ningbo, Zhejiang province	11,466 (budget)	Under construction	Currently no profit
Fiber cement tile project with annual capacity of 600,000 square meters in Suzhou, Jiangsu province	3,790 (budget)	Pilot production	Currently no profit

Gypsum board project with annual capacity of 30,000,000 square meters by comprehensive utilization of desulphuric gypsum in Taicang, Jiangsu province	16,301 (budget)	Under construction	Currently no profit
Gypsum board project with annual capacity of 30,000,000 square meters by comprehensive utilization of desulphuric gypsum in Zhaoqing, Guangdong province	14,825 (budget)	Under construction	Currently no profit
Gypsum board project with annual capacity of 30,000,000 square meters by comprehensive utilization of desulphuric gypsum in Wuhan, Hubei province	15,303 (budget)	Under construction	Currently no profit
Gypsum board project with annual capacity of 30,000,000 square meters by comprehensive utilization of desulphuric gypsum in Guangan, Sichuan province	17,826 (budget)	Under construction	Currently no profit
Total	126,015.89	—	—

6.6 The Board's explanation for non-standard auditors' report given by the auditors

Applicable Not applicable

6.7 Profit distribution or transfer of capital reserve to share capital as recommended by the Board

Applicable Not applicable

As audited by Zhonghe Zhengxin Certified Public Accountants Company Limited, the Company recorded net profit for 2007 of RMB212,421,999.08. Based on the undistributed profit at year-beginning of RMB136,802,635.98, less the payment of cash dividends for 2006 of RMB46,012,000.00 and deducted by surplus reserve of RMB21,242,199.91 as transferred from 10% of profit under the Articles of Association, the profit available for distribution to shareholders amounted to RMB281,970,435.15. The profit distribution scheme for the year is: to distribute cash dividends of RMB0.35 (tax inclusive) for every 10 shares totalling RMB20,130,250.00 based on the total 575,150,000 shares as of 31 December 2007.

The Board did not recommend any transfer of capital reserve to share capital for the year.

Profit earning but without a cash profit distribution plan for the reporting period

Applicable Not applicable

7. SIGNIFICANT EVENTS

7.1 Acquisition of assets

Applicable Not applicable

Unit: RMB0'000

Counter party or ultimate controlling party	Assets acquired	Date of acquisition	Consideration	Net profit attributable to the Company since the beginning to the end of the year (applicable for merger of companies under common control)	Whether a connected transaction (if so, state the basis of pricing)	Pricing policy	Whether the entitlement of the assets concerned are completely transferred	Whether the claims and debts concerned are completely transferred	
Harvest Supreme International Ltd., Rich Well (Far East) Limited	30% equity interest in Jiangyin Taishan Gypsum and Building Material Company Limited	20 March 2007	2,450.65	1,942.14	—	No	With reference to the net valuation as at 30 September 2006 as stated in the asset appraisal report issued by Zhongshang Asset Appraisal Company Limited	Yes	Yes

7.2 Disposal of assets

Applicable Not applicable

Unit: RMB0'000

Counterparty	Assets disposed	Date of disposal	Consideration	Net profit	Profit (loss)	Whether a connected transaction (if so, state the basis of pricing)	Pricing policy	Whether the entitlement of the assets concerned are completely transferred	Whether the claims and debts concerned are completely transferred
				attributable to the Company since the beginning of the year to the date of disposal					
China National Building Material Company Limited	80% equity interest of CNBM Investment Company Limited	31 December 2007	41,600.00	4,608.23	0	Yes	Pricing based on the Auditors' Report ((2007) Jing Kuai Xing Shen Zi No 1-492) issued by Beijing Xinghua Certified Public Accountants Company Limited and the Asset Valuation Report ((2007) Zhong Shang Ping Bao Zi No. 1165) issued by Zhongshang Asset Appraisal Company Limited	No	No

Impact of the transactions as set out in paragraphs 7.1 and 7.2 on business continuity and management stability.

1. As at the end of the reporting period, the acquisition of 30% equity interest in Jiangyin Taishan Gypsum and Building Material Company Limited (“Jiangyin Taishan”) was completed. Taishan Gypsum Co., Ltd (“Taishan Gypsum”), a subsidiary of the Company, previously held 67.50% equity interest in Jiangyin Taishan. Following the acquisition, the Company and Taishan Gypsum held a total of 97.50% in Jiangyin Taishan. This was in line with the development strategy of the Company, and further consolidated the market competitiveness of the Company’s core business, enabled the Company to expand its operations in the Changjiang River Delta Region, the integration and synergies between the Company and Taishan Gypsum and to secure the Company’s leading position in the gypsum board industry.
2. As at the end of the reporting period, the transfer of 80% equity interest in CNBM Investment Company Limited are in progress. The transfer, by reducing trading business and increasing the weight of manufacture business in the Company’s core business, aligned and optimized the Company’s asset structure and business structure. The transfer was in line with the development strategy of the Company and enabled the Company to further strengthen its core business and focus its development efforts on its board operation with emphasis on gypsum boards.

7.3 Material guarantees

Applicable Not applicable

Unit: RMB0’000

Primary debtor	Date (signature date of agreement)	External guarantees (not including situations where the Company acts as guarantor for the debts of its subsidiaries)			Whether completed	Whether a guarantee for a connected party (yes or not)
		Amount	Type	Term		
Total amount occurred during the reporting period						0
Total balances as at the end of the reporting period						0

Guarantees provided by the Company to its subsidiaries

Total amount occurred during the reporting period	114,960
Total balances as at the end of the reporting period	114,960
Total guarantees (including guarantees provided to subsidiaries)	
Total amount of guarantees	114,960
Total amount of guarantee as a percentage in the Company's net assets	66.04%
Including:	
Guarantees the Company's shareholders, ultimate controlling shareholders and its connected parties are the primary debtors	0
Direct or indirect guarantees where the primary debtors have a gearing ratio of 70% or more	0
Guarantees where the amounts exceed 50% of net assets	27,926.07
Total of the above three classes of guarantees	27,926.07

7.4 Major connected transactions

7.4.1 Connected transactions related to the ordinary business of the Company

Applicable Not applicable

Unit: RMB0'000

Connected Party	Products sold and services provided to related parties		Product purchased and services accepted from related parties	
	Transaction amount	Percentage in the total amount of similar transactions	Transaction amount	Percentage in the total amount of similar transactions
Beijing New Building Material (Group) Company Limited	1,396.47	0.44%	27.84	0.01%
Beijing New Building Material (Group) Company Limited, Jinan Branch (北新建材(集團)有限公司濟南分公司)	100.66	0.03%		
Beijing New Building Material (Group) Company Limited, Zhengzhou (北新建材(集團)有限公司鄭州分公司)	312.01	0.10%		
BNBM Australia Company Limited (北新澳大利亞有限公司)	884.75	0.28%		
Baoding Zhugen New Materials Company Limited (保定築根新材公司)	110.11	0.04%		
BNBM Pipes Company Limited (北新塑管有限公司)	301.95	0.10%	9.71	0.004%
BNBM Jiayuan Property Management Company Limited (北新家園物業管理有限公司)	60.99	0.02%	475.43	100%

BNBM Commercial Trading Company Limited (北新商貿有限公司)	15.15	0.005%	84.45	0.03%
CNBM International Corporation	86.61	0.03%		
China National Building Material Import and Export Company	125.91	0.04%		
China Building Materials and Equipment Group Corporation Beijing New Building Material and Equipment Company			398.16	2.46%
China National Building Material Company Limited			97.15	100%
China United Cement Group Corporation Limited			87.48	100%
China New Building Materials Industry Hangzhou Design & Research Institute			280.00	100%
Total	3,394.61	1.07%	1,460.22	0.54%

Including: connected transactions for products sold or services provided by the Company to its controlling shareholder and its subsidiaries during the reporting period RMB0.

7.4.2 Amounts due from and to related parties

Applicable Not applicable

Unit: RMB0'000

Connected Party	Amount due from related parties		Amount due to related parties	
	Amounts in total	Balance as of 31 December 2007	Amounts in total	Balance as of 31 December 2007
Beijing New Building Material (Group) Company Limited			162.78	118.56
BNBM Jiayuan Property Management Company Limited (北新家園物業管理有限公司)			187.14	78.55
Total			349.92	197.11

Including: Amount occurred (RMB0) and balance (RMB0) due from the Company's controlling shareholder and its subsidiaries during the reporting period

7.4.3 Recovery progress of appropriated funds at the end of 2007

Applicable Not applicable

Additional funds appropriated for 2007

Applicable Not applicable

The failure to recover non-operating appropriated funds as at the end of 2007, the reason and the adopted recovery measures and responsibility accountability plan

Applicable Not applicable

7.5 Entrusted investments

Applicable Not applicable

7.6 Performance of undertakings

Applicable Not applicable

1. Undertakings made by former holders of non-tradable shares during the Share Reform and their fulfilment

On 29 June 2006, the Share Reform of the Company was accomplished. China National Building Material Company Limited, the former holders of non-tradable shares made the following undertakings during the Share Reform: It shall not list or transfer its shares within 12 months starting from the implementation of the reform plan; upon the expiry of the above moratorium, the percentage of former non-tradable shares listed and sold through stock exchange in the total shares of the Company shall not exceed 5% within 12 months and 10% within 24 months. During the reporting period, China National Building Material Company Limited fully performed the aforesaid undertakings.

China National Building Material Company Limited is the sole former holders of non-tradable shares holding over 5% interests in the Company. As at the end of the reporting period, the number of tradable shares subject to no trading moratorium held by China National Building Material Company Limited was 28,757,500, unchanged as compared with last year.

2. Save for the aforesaid undertakings, no undertaking of the Company or shareholders with 5% or more interest in the Company occurred in or subsisted to the reporting period.

7.7 Material litigation and arbitration

Applicable Not applicable

7.8 Explanation for other significant events and influence therefrom and solution thereon

7.8.1 Securities investment

Applicable Not applicable

Unit: RMB

No.	Type of securities	Stock code	Stock abbreviation	Initial investment (RMB)	Shares held (shares)	Book value at the end of the period	Percentage	Loss
							in total securities investment at the end of the period	or profit during the reporting period
							(%)	
1	Stock	600550	Tianwei Baobian	17,600,000.00	1,699,695	97,239,550.95	100%	16,643,794.32
Other securities investment held								
at the end of the reporting period				—				
Loss or profit from disposal of securities during the reporting period				—	—	—	—	93,634,382.21
Total				17,600,000.00	—	97,239,550.95	100%	110,278,176.53

7.8.2 Shareholding in other listed companies

Applicable Not applicable

7.8.3 Shareholding in non-listed financial enterprises

Applicable Not applicable

Unit: RMB

Name of investee	Initial investment	Shares held (share)	Shareholding in investee	Book value at the end of the period	Loss or profit during the reporting period	Change in shareholders' equity during the reporting period	Account title	Source of shares
China Investment & Credit								
Guaranty Co., Ltd.	10,000,000.00	10,000,000	1.00%	10,000,000.00	-5,239,512.40	-5,239,512.40	Long term share investment	By acquisition
Total	10,000,000.00	10,000,000	—	10,000,000.00	-5,239,512.40	-5,239,512.40	—	—

7.8.4 Trading of shares in other listed companies

Applicable Not applicable

8. REPORT OF THE SUPERVISORY COMMITTEE

Applicable Not applicable

In 2007, the Supervisory Committee has duly carried out its duties in strict compliance with the Company Law, the Articles of Association and the Terms of Reference of the Supervisory Committee. The Supervisory Committee has: (1) participated in the discussion on major decisions, reviewed the Company's regular report; (2) supervised the procedures for the holding of the meeting of the Company's shareholders and board of directors; (3) supervised the execution of the resolutions of the Company's shareholders and board of directors; (4) supervised the senior management in the execution of their duties; (5) supervised the execution of the Company's management system and (6) protected the interests of the Company and of its shareholders.

I. Work of the Supervisory Committee

During the reporting period, the Supervisory Committee convened three meetings.

(I) The 11th meeting of the third Supervisory Committee

The following proposals were considered and passed at the meeting on 9 April 2007: (1) the 2006 Annual Report and its summary; (2) the 2006 Work Report of the Supervisory Committee. The announcement of the resolutions was published in China Securities Journal, Securities Times and Shanghai Securities News on 10 April 2007.

(II) The 12th meeting of the third Supervisory Committee

At the meeting on 20 August 2007, the 2007 Interim Report and its summary was considered and passed at the meeting.

(III) The extraordinary meeting of the third Supervisory Committee

The 2007 Third Quarterly Report of the Company were considered and passed at the meeting on 22 October 2007.

II. Independent Opinion of Supervisory Committee on Relevant Matters during the Reporting Period

(I) Operation in accordance with laws

During the reporting period, in strict compliance with the Company Law, the Articles of Association, the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange and the relevant laws and regulations and regulatory documents, the Company has: (1) further improved its corporate governance structure; (2) established a solid internal control system; (3) complied with the relevant laws and regulation in its business, operations and decision-making procedures. The Supervisory Committee has not identified any instances in which the directors or senior management of the Company has breached any laws, regulations or the Articles of Association, or has damaged the interests of the Company.

(II) Review of financial position

A standard unqualified auditors' report has been issued by Zhong He Zheng Xin Certified Public Accountants Company Limited upon the audit on the Company's 2007 financial statements, which gives a true and fair view of the Company's financial position and operation results.

(III) Acquisition and disposal of assets

During the reporting period, the considerations on acquisition and disposal of assets by the Company were reasonable. No insider trading has been identified nor is there any indication of damage to shareholders' interests or dissipation of the Company's assets.

(IV) Connected transactions

Connected transactions were carried out based on fair prices without damage to the Company's interest.

9. FINANCIAL STATEMENTS

9.1 Auditors' Opinion

Auditors' Report

Standard unqualified auditors' opinion

Body text of Auditors' Report

Auditors' Report

Zhonghe Zhengxin Shen Zi (2008) No. 1-186

To all shareholders of Beijing New Building Material Company Limited:

We have audited the accompanying financial statements of Beijing New Building Material Company Limited (the "Company"), including the combined and the Company's balance sheet as at 31 December 2007, the combined and the Company's income statement, the combined and the Company's statements of change in shareholders' interest, the combined and the Company's cash flow statements for 2007 and the notes thereto.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting Standards for Business Enterprises of the PRC. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) and making accounting estimates that are reasonable in the circumstances.

II. AUDITOR’S RESPONSIBILITY

Our responsibility is to express an auditing opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. OPINION

In our opinion, the accompanying financial statements, which are prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, give a true and fair view in all material respects of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended.

**Zhonghe Zhengxin Certified Public
Accountants Company Limited**

PRC certified public accountant: Zhou Haitao

Beijing, the PRC

PRC certified public accountant: Ma Shisong

24 March 2008

9.2 Financial statements

9.2.1 Balance sheet

Prepared by: Beijing New Building Material Company Limited 31 December 2007

Unit: RMB

Item	As at 31 December 2007		As at 1 January 2007	
	Group	Company	Group	Company
Current assets:				
Cash and bank balance	553,810,451.17	117,028,571.38	679,855,107.96	49,124,219.73
Balances with clearing companies				
Placements with banks and other financial institutions				
Held for trading financial assets				
Bills receivable	11,585,252.16	6,758,019.12	4,741,870.10	3,966,870.10
Accounts receivable	390,198,802.16	128,522,055.19	312,700,136.01	125,776,676.41
Prepayments	351,380,222.10	54,682,711.78	316,913,647.31	43,775,721.07
Premiums receivable				
Accounts receivable from reinsurance treaty				
Deposits receivable from reinsurance treaty				
Interests receivable				
Dividends receivable	9,264,000.00	140,510,125.00	1,348,813.32	
Other receivable	219,214,158.12	309,726,936.53	211,781,794.50	144,892,436.99
Proceeds from financial assets purchased under agreements to resell				
Inventories	504,933,962.34	222,594,760.14	468,394,050.17	222,859,540.74
Non-current assets due within one year				
Other current assets	50,000.02		619,460.40	
Total current assets	2,137,676,399.02	979,823,179.14	2,014,854,879.77	590,395,465.04

Non-current assets:

Loans and advances granted				
Available-for-sale financial assets				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	282,788,770.28	1,065,440,080.76	284,684,789.42	914,074,373.52
Investment properties	272,844,430.47		279,446,037.02	
Fixed assets	1,835,441,400.87	1,018,576,319.53	1,548,795,627.72	759,891,985.32
Construction in progress	472,816,557.94	57,986,107.62	610,503,718.62	537,662,378.47
Constructive goods and materials			60,265.02	
Liquidation of fixed assets				
Biological assets for production				
Fuel assets				
Intangible Assets	262,262,199.99	139,808,585.00	85,554,328.91	29,552,640.90
Development expenses				
Goodwill	23,628,472.28		23,546,423.13	
Long-term deferred expenditures	6,112,364.93	1,271,128.80	13,061,430.53	2,577,868.20
Deferred tax assets	15,828,343.52	4,870,467.72	9,551,878.46	3,566,309.93
Other non-current assets	27,284,038.56		30,627,825.58	
Total non-current assets	3,199,006,578.84	2,287,952,689.43	2,885,832,324.41	2,247,325,556.34
Total assets	5,336,682,977.86	3,267,775,868.57	4,900,687,204.18	2,837,721,021.38

Current liabilities:

Short-term borrowings	1,536,810,035.60	822,060,000.00	947,901,570.25	351,000,000.00
Borrowings from central bank				
Deposit taking and deposit in inter-bank market				
Due from banks and other financial institutions				
Held-for-trading financial liabilities				
Notes payable	219,651,445.16	90,422,845.16	392,480,241.57	87,420,206.05
Accounts payable	330,275,107.51	87,766,847.60	233,694,030.96	71,675,723.99
Advances from customers	105,971,861.52	12,186,760.93	66,345,190.85	8,769,582.10
Disposal of repurchased financial assets				
Handling charges and commissions payable				
Staff remuneration payable	41,992,757.02	17,826,193.33	45,922,958.13	17,824,935.08
Taxes payable	37,241,671.23	13,065,576.55	17,649,463.65	7,109,518.31
Interests payable	1,317,971.16	260,889.75	751,212.00	0.00
Other payables	110,383,338.69	97,871,610.42	443,637,965.64	334,015,910.10
Payable to reinsurers				
Deposits for insurance contracts				
Customer deposits for trading in securities				
Customer deposits for underwriting				
Non-current liabilities due within one year	38,550,000.00	23,000,000.00	10,000,000.00	
Other current liabilities	9,727,500.00		508,313.46	
Total current liabilities	2,431,921,687.89	1,164,460,723.74	2,158,890,946.51	877,815,875.63

Non-current liabilities:				
Long-term loans	799,500,000.00	524,000,000.00	780,050,000.00	547,000,000.00
Debtentures payable				
Long-term accounts payable	23,894,735.94		25,012,959.77	
Special payable				
Accrued liabilities				
Deferred tax liabilities	6,711,948.57		121,184.64	
Other non-current liabilities				
Total non-current liabilities	830,106,684.51	524,000,000.00	805,184,144.41	547,000,000.00
Total liabilities	3,262,028,372.40	1,688,460,723.74	2,964,075,090.92	1,424,815,875.63
Owners' interest (Shareholders' equity):				
Paid-up capital (share capital)	575,150,000.00	575,150,000.00	575,150,000.00	575,150,000.00
Capital reserve	489,572,828.32	488,893,313.47	489,572,828.32	488,893,313.47
Less: Treasury stock				
Surplus reserve	293,541,973.55	233,301,396.21	253,420,095.89	212,059,196.30
General risk provision				
Retained earnings	382,346,567.39	281,970,435.15	266,415,430.71	136,802,635.98
Exchange reserve	67,190.70		1,502,260.53	
Total shareholders' equity attributable to the Company	1,740,678,559.96	1,579,315,144.83	1,586,060,615.45	1,412,905,145.75
Minority interests	333,976,045.50		350,551,497.81	
Total shareholders' equity	2,074,654,605.46	1,579,315,144.83	1,936,612,113.26	1,412,905,145.75
Total of liabilities and owners' interest	5,336,682,977.86	3,267,775,868.57	4,900,687,204.18	2,837,721,021.38

9.2.2 Income Statement

Prepared by: Beijing New Building Material Company Limited
January - December 2007

Unit: RMB

Item	2007		2006	
	Group	Company	Group	Company
I. Total operating revenue	3,143,233,772.46	918,915,492.34	2,935,420,984.34	912,614,402.27
Including: Operating revenue	3,143,233,772.46	918,915,492.34	2,935,420,984.34	912,614,402.27
Interest Income				
Premiums earned				
Handling charges and commission income				
II. Total cost of operations	2,967,800,556.98	849,866,246.01	2,782,468,824.42	862,334,545.88
Including: Operating cost	2,501,769,408.46	708,640,238.42	2,355,314,662.69	718,506,745.74
Interest expenses				
Handling charges and commission expenses				
Surrender payment				
Net claim expenses				
Net provision for insurance deposits				
Policyholder dividend expenses				
Reinsurance costs				
Business tax and surcharges	7,601,251.86	2,037,459.62	7,019,348.52	1,256,233.43
Selling expenses	158,589,383.40	50,032,051.82	147,347,670.75	50,989,779.08
Administrative expenses	187,295,736.70	55,571,248.81	157,135,900.81	53,462,855.29
Finance costs	87,931,649.22	26,931,891.26	78,559,683.06	26,934,132.38
Loss on assets impairment	24,613,127.34	6,653,356.08	37,091,558.59	11,184,799.96

Add:	Gains on fair value changes (loss stated with “-”)	16,643,794.32		650,000.00	
	Investment income (loss stated with “-”)	94,704,273.22	140,601,948.43	61,750,655.48	36,717,510.36
	Including: Investment income from associated companies and jointly controlled entities	112,420.43	-8,176.57	34,519,279.41	6,449,815.49
	Foreign currency exchange gains (loss stated with “-”)				
III. Operating profit	(loss stated with “-”)	286,781,283.02	209,651,194.76	215,352,815.40	86,997,366.75
Add:	Non-operating income	30,993,168.78	19,156,474.15	12,942,169.97	3,095,871.94
Less:	Non-operating expense	9,690,383.50	416,321.79	7,421,012.18	1,925,650.70
	Including: Loss from disposal of non-current assets	880,062.97	263,447.85	4,033,197.48	1,734,900.96
IV. Total profit (loss stated with “-”)		308,084,068.30	228,391,347.12	220,873,973.19	88,167,587.99
Less:	Income tax expense	53,388,925.17	15,969,348.04	17,232,056.71	7,003,728.51
V. Net profit (loss stated with “-”)		254,695,143.13	212,421,999.08	203,641,916.48	81,163,859.48
	Net profit attributable to the Company	202,065,014.34		154,374,976.73	
	Minority interests	52,630,128.79		49,266,939.75	
VI. Earnings per share:					
	(1) Basic earnings per share	0.351	0.369	0.268	0.141
	(2) Diluted earnings per share	0.351	0.369	0.268	0.141

9.2.3. Cash Flow Statements

Prepared by: Beijing New Building Material Company Limited
January - December 2007

Unit: RMB

Item	2007		2006	
	Group	Company	Group	Company
I. Net cash flow from operating activities:				
Cash received from product sales and rendering of services	3,335,743,217.02	1,107,922,888.49	3,243,154,283.41	1,080,894,783.66
Net increase in deposits from customers and placements from banks and other financial institutions				
Net increase in borrowings from central banks				
Net increase in placements from other financial institutions				
Cash received from premiums of original insurance contracts				
Net cash received from reinsurance business				
Net increase in deposits from policyholders and investments				
Net increase in disposal of held-for-trading financial assets				
Cash received from interest, handling charges and commissions				
Net increase in capital due to banks and other financial institutions				
Net increase in repurchases				
Refund of tax and levies received	48,376,076.08	2,805,071.74	79,684,082.26	3,345,670.27
Other cash received relating to operating activities	220,249,240.42	32,123,430.02	201,261,440.53	26,389,102.00
Sub-total of cash inflows from operating activities	3,604,368,533.52	1,142,851,390.25	3,524,099,806.20	1,110,629,555.93

Cash paid for purchase of goods and receipt of services	2,475,654,413.60	738,589,784.84	2,720,626,677.42	772,836,275.55
Net increase in loans and advances to customers				
Net increase in placements with central bank and other financial institutions				
Cash paid for claims on original insurance contracts				
Cash payment for interest, handling charges and commissions				
Cash payment for policyholder dividend				
Cash paid to and on behalf of employees	215,414,147.12	90,831,979.09	184,599,218.72	85,047,466.38
Taxes and surcharges paid	124,747,893.19	43,329,744.05	68,958,164.02	26,913,566.30
Other cash paid relating to operating activities	645,656,294.06	146,756,337.55	283,905,378.76	121,152,900.80
Sub-total of cash outflows from operating activities	3,461,472,747.97	1,019,507,845.53	3,258,089,438.92	1,005,950,209.03
Net cash flow from operating activities	142,895,785.55	123,343,544.72	266,010,367.28	104,679,346.90

II. Cash flows from investment activities:

Cash received from disposal of investments	166,275,193.17	0.00	92,487,276.33	89,187,276.33
Cash received from returns on investments	113,209,067.08	288,571.90	51,775,997.51	10,635,961.88
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	16,195,193.89	11,156,647.85	27,793,199.19	27,105,580.00
Net cash received from disposal of subsidiaries and other operated entities			11,000,000.00	
Other cash received relating to investment activities			143,203,535.79	
Sub-total of cash inflows from investment activities	295,679,454.14	11,445,219.75	326,260,008.82	126,928,818.21
Cash paid to acquire fixed assets, intangible assets and other long-term assets	441,991,750.22	49,664,602.86	272,180,885.78	56,266,889.08
Cash paid to acquire investment	281,577,992.43	98,506,547.00	149,779,902.50	203,918,500.00
Net increase in pledged loans				

Cash paid for acquisition of subsidiaries and other operated entities			3,750,000.00	
Other cash paid relating to investment activities	447,698.93		17,368,069.36	
Sub-total of cash outflows from investment activities	724,017,441.58	148,171,149.86	443,078,857.64	260,185,389.08
Net cash flows from investment activities	-428,337,987.44	-136,725,930.11	-116,818,848.82	-133,256,570.87

III. Cash flows from financing activities:

Cash received to introduce investments	3,600,000.00			
Including: Cash received from minority shareholders by subsidiaries				
Cash received from borrowings	2,718,239,691.60	1,523,060,000.00	2,286,023,725.17	1,000,060,000.00
Cash received from issue of debentures				
Other cash received relating to financing activities			87,319,677.00	
Sub-total of cash inflows from financing activities	2,721,839,691.60	1,523,060,000.00	2,373,343,402.17	1,000,060,000.00
Cash repayments of amounts borrowed	2,370,175,730.80	1,344,000,000.00	2,215,410,911.65	887,000,000.00
Cash payments for distribution of dividends or profits or interest expenses	190,635,727.19	97,369,730.39	161,265,246.47	91,500,880.52
Including: Dividend or profit paid by subsidiary to minority shareholders	1,989,000.83			
Other cash paid relating to financing activities	207,189.55			
Sub-total of cash outflows from financing activities	2,561,018,647.54	1,441,369,730.39	2,376,676,158.12	978,500,880.52
Net cash flows from financing activities	160,821,044.06	81,690,269.61	-3,332,755.95	21,559,119.48

IV. Effect on cash due to change in				
foreign currency exchange rate	-1,423,498.96	-403,532.57	-279,286.03	0.00
V. Net increase in cash and				
cash equivalents	-126,044,656.79	67,904,351.65	145,579,476.48	-7,018,104.49
Add: Balance of cash and cash				
equivalents at the year				
beginning	679,855,107.96	49,124,219.73	534,275,631.48	56,142,324.22
VI. Balance of cash and cash equivalents				
at the end of the period	553,810,451.17	117,028,571.38	679,855,107.96	49,124,219.73

9.2.4 Change in shareholders' interest

Prepared by: Beijing New Building Material Company Limited 31 December 2007

Unit: RMB

Item	This period										Last year								
	Shareholders' interest attributable to the Company										Shareholders' interest attributable to the Company								
	Paid-up capital (share capital)	Less: Capital reserve	Treasury shares	Surplus reserve	General risk provision	Undistributed profit	Others	Minority interests	Shareholders' equity	Total	Paid-up capital (share capital)	Less: Capital reserve	Treasury shares	Surplus reserve	General risk provision	Undistributed profit	Others	Minority interests	Shareholders' equity
1. Closing of the previous year	575,150,000.00	491,880,079.08		274,464,374.24		234,731,748.21	-1,900,068.28	349,534,317.37	1,923,860,450.62	575,150,000.00	490,697,605.08		246,147,267.43		157,153,746.03	-1,297,704.40	381,076,375.57	1,848,927,289.71	
Add: Adjustment from accounting policy changes		-2,307,250.76		-21,044,278.35		31,683,682.50	3,402,328.81	1,017,180.44	12,751,662.64										
Amendments of errors in previous period																			
2. Opening balance at the beginning of year	575,150,000.00	489,572,828.32		253,420,095.89		266,415,430.71	1,502,260.53	350,551,497.81	1,936,612,113.26	575,150,000.00	490,697,605.08		246,147,267.43		157,153,746.03	-1,297,704.40	381,076,375.57	1,848,927,289.71	
3. Increase/(decrease) for the year (* for decrease)				40,121,877.66		115,931,136.68	-1,435,069.83	-16,575,452.31	130,042,492.20	1,182,474.00		28,317,106.81		77,576,002.18	-402,263.88	-31,542,058.20	74,933,169.91		
(1) Net profit						202,065,014.34		52,620,128.79	254,695,143.13					146,155,608.99			41,884,446.20	180,040,655.19	
(2) Profit and loss directly included in shareholders' interest (shareholders' equity)								-1,435,069.83	-3,337,479.63	-4,772,549.46	1,182,474.00						-402,263.88	-7,474,556.16	-6,894,446.04
1. Net increase in fair value of available-for-sale financial assets																			
2. Impact of changes in other shareholders' equity of investee under equity method																			
3. Income tax implications on items related to shareholders' equity accounted for																			
4. Others								-1,435,069.83	-3,337,479.63	-4,772,549.46	1,182,474.00						-402,263.88	-7,474,556.16	-6,894,446.04
Subtotal of (1) and (2) above						202,065,014.34	-1,435,069.83	49,292,649.16	249,022,593.67	1,182,474.00				146,155,608.99	-402,263.88	34,408,890.04	181,145,609.15		
(3) Capital paid by shareholders and decrease in capital									-19,885,726.47	-19,885,726.47								-65,951,948.24	-65,951,948.24
1. Capital by shareholders																		-65,951,948.24	-65,951,948.24
2. Amounts included in owner's equity paid by shares																			
3. Others																			
(4) Profit distribution				40,121,877.66		86,133,877.66		-45,982,375.00	91,994,375.00				28,317,106.81		68,577,606.81				40,280,500.00
1. Appropriation to surplus reserve				40,121,877.66		40,121,877.66							28,317,106.81		28,317,106.81				
2. Appropriation to general risk provision																			
3. Appropriation to owners (or shareholders)						46,012,000.00		-45,982,375.00	91,994,375.00						40,280,500.00				40,280,500.00
4. Others																			
(5) Shareholders' interest internally carried forward																			
1. Capital (or share capital) increment from capital reserve																			
2. Capital (or share capital) increment from surplus reserve																			
3. Loss recovered by utilisation of surplus reserve																			
4. Others																			
4. Closing balance of this period	575,150,000.00	489,572,828.32		293,541,973.55		382,346,567.39	67,190.70	333,976,045.50	2,074,654,605.46	575,150,000.00	491,880,079.08		274,464,374.24		234,731,748.21	-1,900,068.28	349,534,317.37	1,923,860,450.62	

9.3 Explanation on change in accounting policies, accounting estimates or audit methods as compared with the latest annual report

Applicable Not applicable

9.4 Significant accounting errors, amount of correction and the reason and impact

Applicable Not applicable

9.5 Explanation on change in scope of consolidation as compared with the latest annual report

Applicable Not applicable

By Order of the Board
Beijing New Building Material Company Limited
Cao Jianglin
Chairman

24 March 2008

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

* *For identification only*