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If you have sold or transferred all your shares in China National Building Material Company Limited, you should hand this circular to the purchaser or transferee or the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CNBM

China National Building Material Company Limited*

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

**1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF EQUITY INTERESTS OF TEN COMPANIES HELD BY
SANSHI GROUP**

**2) PROPOSED APPOINTMENT OF AN ADDITIONAL EXECUTIVE DIRECTOR
AND PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**

AND

3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Shareholders



A notice convening an extraordinary general meeting of China National Building Material Company Limited to be held at No. A-11 Sanlihe Road, Haidian District, Beijing, the People's Republic of China on Monday, 24 August 2009 at 10:00 a.m. is set out on pages 50 to 52 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding of the EGM.

9 July 2009

* For identification only

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
 LETTER FROM THE BOARD	
1) Introduction	1
2) Discloseable and connected transaction in relation to the acquisition of equity interests of ten companies held by Sanshi Group	2
3) Proposed appointment of an additional executive director and proposed amendment to the articles of association	26
4) Extraordinary general meeting	28
5) Recommendations	28
6) Voting by poll	28
7) Election of means of receipt of corporate communication	28
 LETTER FROM THE INDEPENDENT BOARD COMMITTEE	 29
 LETTER FROM GF CAPITAL	 30
 GENERAL INFORMATION	 46
 NOTICE OF EXTRAORDINARY GENERAL MEETING	 50

DEFINITIONS

In this circular, the following words have the following meanings unless the context requires otherwise:

“Acquisition”	the proposed acquisition of a further 45% equity interests in Sanshi Hede, 38% equity interests in Shaoxing Sanshi, 40% equity interests in Jiande Sanshi, 49% equity interests in Tonglu Sanshi, 46% equity interests in Sanshi Jiaxing and a proposed acquisition of 38% equity interests in Sanshi Changxing, 67.46% equity interests in Sanshi Cement, 6.75% equity interests in Sanshi Wutong, 51% equity interests in Sanshi Xiaopu and 44.8% equity interests in Fuyang Sanshi by South Cement, as contemplated under the Share Acquisition Agreements
“Articles of Association”	the articles of association of the Company
“BNBMG”	北新建材(集團)有限公司 (Beijing New Building Material (Group) Company Limited*), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Parent
“Board”	the board of directors of the Company
“Cinda”	中國信達資產管理公司 (China Cinda Asset Management Corporation*), an asset management company established under the laws of the PRC
“China United”	中國聯合水泥集團有限公司 (China United Cement Group Corporation Limited*) a wholly owned subsidiary of the Company
“Company”	China National Building Material Company Limited* (中國建材股份有限公司), a joint stock limited company incorporated under PRC law, the H shares of which are listed on the Stock Exchange
“Corporate Communications”	any documents sent or to be sent by the Company for reference or taking actions by any holders of securities of the Company, including but not limited to the following: <ol style="list-style-type: none">(1) annual reports, including directors’ reports, annual accounts of the Company together with auditor’s reports and (if applicable) summary financial reports;(2) interim reports and (if applicable) summary interim reports;(3) notices of meetings;

* For identification only

DEFINITIONS

	(4) listing documents;
	(5) circulars; and
	(6) forms of proxy.
“CNBM Trading”	中建材集團進出口公司 (China National Building Material Import and Export Company*), a state-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of Parent
“Directors”	the directors of the Company
“Domestic Shares”	ordinary domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in Renminbi
“Equity Interests”	45% equity interests in Sanshi Hede, 38% equity interests in Sanshi Changxing, 38% equity interests in Shaoxing Sanshi, 40% equity interests in Jiande Sanshi, 67.46% equity interests in Sanshi Cement, 49% equity interests in Tonglu Sanshi, 6.75% equity interests in Sanshi Wutong, 46% equity interests in Sanshi Jiaxing, 51% equity interests in Sanshi Xiaopu and 44.8% equity interests in Fuyang Sanshi
“EGM”	an extraordinary general meeting of the shareholders of the Company to be convened and held at 10:00 a.m. on Monday, 24 August 2009 at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC for the purpose of approving, among other things, the Acquisition, the proposed appointment of an executive Director and the proposed amendment to the Articles of Association
“Fuyang Sanshi”	富陽三獅水泥有限公司 (Fuyang Sanshi Cement Company Limited*), a limited liability company incorporated under PRC law
“GF Capital”	GF Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Shareholders regarding the terms of the Acquisition
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

* For identification only

DEFINITIONS

“H Shares”	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK\$
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors
“Jiande Sanshi”	建德三獅水泥有限公司 (Jiande Sanshi Cement Company Limited*), a limited liability company incorporated under PRC law
“Latest Practicable Date”	6 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent”	中國建築材料集團公司 (China National Building Material Group Corporation*), a state-owned enterprise established under PRC law and a controlling shareholder of the Company
“PRC”	the People’s Republic of China. Geographical references in this circular to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sanshi Cement”	浙江三獅水泥股份有限公司 (Zhejiang Sanshi Cement Company Limited*), a joint stock limited company incorporated under PRC law
“Sanshi Changxing”	浙江三獅集團長興金釘子建材有限公司 (Zhejiang Sanshi Group Changxing Jindingzi Building Materials Company Limited*), a limited liability company incorporated under PRC law
“Sanshi Group Companies”	Sanshi Hede, Shaoxing Sanshi, Jiande Sanshi, Tonglu Sanshi, Sanshi Jiaxing, Sanshi Changxing, Sanshi Cement, Sanshi Wutong, Sanshi Xiaopu and Fuyang Sanshi
“Sanshi Group”	浙江三獅集團有限公司 (Zhejiang Sanshi Group Company Limited*), a limited liability company incorporated under the laws of the PRC
“Sanshi Hede”	安徽三獅和德水泥有限公司 (Anhui Sanshi Hede Cement Company Limited*), a limited liability company incorporated under PRC law

* For identification only

DEFINITIONS

“Sanshi Jiaxing”	浙江三獅集團嘉興水泥有限公司 (Zhejiang Sanshi Group Jiaxing Cement Company Limited*), a limited liability company incorporated under PRC law
“Sanshi Wutong”	浙江三獅集團五通建材有限公司 (Zhejiang Sanshi Group Wutong Building Materials Company Limited*), a limited liability company incorporated under PRC law
“Sanshi Xiaopu”	浙江三獅集團小浦水泥有限責任公司 (Zhejiang Sanshi Group Xiaopu Cement Company Limited*), a limited liability company incorporated under PRC law
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Lixin Zhongcheng Asset and Equity Management”	上海立信中誠產權經紀有限公司 (Shanghai Lixin Zhongcheng Asset and Equity Management Company Limited*), a limited liability company incorporated under PRC law
“Shaoxing Sanshi”	紹興三獅水泥有限公司 (Shaoxing Sanshi Cement Company Limited*), a limited liability company incorporated under PRC law
“Share Acquisition Agreements”	the acquisition agreements dated 26 June 2009 entered into by Sanshi Group, Parent, South Cement and Shanghai Lixin Zhongcheng Asset and Equity Management for the purpose of acquiring the Equity Interests
“Shareholders”	the shareholder(s) of the Company
“South Cement”	南方水泥有限公司 (South Cement Company Limited*), a limited liability company incorporated under PRC law and a subsidiary of the Company
“South East Region”	the south east region of the PRC, including but not limited to Shanghai, Zhejiang, Jiangsu, Hunan, Jiangxi and Fujian
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tonglu Sanshi”	桐廬三獅建材有限公司 (Tonglu Sanshi Building Materials Company Limited*), a limited liability company incorporated under PRC law

* For identification only

LETTER FROM THE BOARD



CNBM

China National Building Material Company Limited*

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

Executive directors:

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

Registered office:

No. A-11 Sanlihe Road
Haidian District
Beijing 100037
PRC

Non-executive directors:

Ms Cui Lijun
Mr Huang Anzhong
Mr Zuo Fenggao

Place of business in Hong Kong:

Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

Independent non-executive directors:

Mr Zhang Renwei
Mr Zhou Daojiong
Mr Chi Haibin
Mr Li Decheng
Mr Lau Ko Yuen, Tom

9 July 2009

To the shareholders

Dear Sirs,

**1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE
ACQUISITION OF EQUITY INTERESTS OF TEN COMPANIES HELD BY
SANSHI GROUP**

**2) PROPOSED APPOINTMENT OF AN ADDITIONAL EXECUTIVE DIRECTOR AND
PROPOSED AMENDMENT TO
THE ARTICLES OF ASSOCIATION
AND**

3) NOTICE OF EXTRAORDINARY GENERAL MEETING

1) INTRODUCTION

On 26 June 2009, the Directors announced that, pursuant to a government controlled state-owned assets auction, South Cement, a subsidiary of the Company, succeeded in bidding and entered into 10 separate

* *For identification only*

LETTER FROM THE BOARD

Share Acquisition Agreements with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the equity interests held by Sanshi Group in the Sanshi Group Companies at a total consideration of RMB750,000,000 (equivalent to approximately HK\$850,687,355).

Reference is also made to the Company's announcement dated 6 July 2009 in relation to the proposed appointment of an additional executive director to the Board and the relevant amendments to the Articles of Association.

The purpose of this circular is to provide you with further details on the Acquisition, the proposed appointment of an additional executive director to the Board, the relevant amendments to the Articles of Association and to provide you with notice of EGM.

2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS OF TEN COMPANIES HELD BY SANSHI GROUP

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN SANSHI HEDE

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 45% equity interests held by Sanshi Group in Sanshi Hede.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Hede is RMB134.56 million (equivalent to approximately HK\$152.62 million).

Based on the PRC audited accounts of Sanshi Hede which have been prepared in accordance with PRC GAAP, the net profits attributable to Sanshi Hede before and after taxation for the year ended 31 December, 2007 were approximately RMB4.14 million (equivalent to approximately HK\$4.70 million) and RMB4.14 million (equivalent to approximately HK\$4.70 million) and the net profits attributable to Sanshi Hede before and after taxation for the year ended 31 December, 2008 were approximately RMB27.32 million (equivalent to approximately HK\$30.99 million) and RMB21.96 million (equivalent to approximately HK\$24.91 million).

The consideration for the acquisition of equity interests in Sanshi Hede and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB134.56 million (equivalent to approximately HK\$152.62 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Hede to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Hede which amounts to approximately RMB175.57 million (equivalent to approximately HK\$199.14 million) and RMB142.81 million (equivalent to approximately HK\$161.98 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Hede will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Prior to the acquisition of further equity interests in Sanshi Hede by South Cement pursuant to the Share Acquisition Agreement, Sanshi Hede was held as to 40% by South Cement. Sanshi Hede will be held as to 85% by South Cement and will become a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN SHAOXING SANSHI

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 38% equity interests held by Sanshi Group in Shaoxing Sanshi.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Shaoxing Sanshi is RMB11.5 million (equivalent to approximately HK\$13.04 million).

Based on the PRC audited accounts of Shaoxing Sanshi which have been prepared in accordance with PRC GAAP, the net profits attributable to Shaoxing Sanshi before and after taxation for the year ended 31 December, 2007 were approximately RMB1.77 million (equivalent to approximately HK\$2.01 million) and RMB1.77 million (equivalent to approximately HK\$2.01 million) and the net loss attributable to Shaoxing Sanshi before and after taxation for the year ended 31 December, 2008 were approximately RMB21.29 million (equivalent to approximately HK\$24.15 million) and RMB21.29 million (equivalent to approximately HK\$24.15 million).

The consideration for the acquisition of equity interests in Shaoxing Sanshi and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB11.5 million (equivalent to approximately HK\$13.04 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Shaoxing Sanshi to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Shaoxing Sanshi which amounts to approximately RMB17.77 million (equivalent to approximately HK\$20.16 million) and a loss of RMB51.06 million (equivalent to approximately HK\$57.91 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Shaoxing Sanshi will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Prior to the acquisition of further equity interests in Shaoxing Sanshi by South Cement pursuant to the Share Acquisition Agreement, Shaoxing Sanshi was held as to 62% by South Cement. Shaoxing Sanshi will be held as to 100% by South Cement and will become a wholly owned subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN JIANDE SANSHI

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 40% equity interests held by Sanshi Group in Jiande Sanshi.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Jiande Sanshi is RMB33.82 million (equivalent to approximately HK\$38.36 million).

Based on the PRC audited accounts of the Jiande Sanshi which have been prepared in accordance with PRC GAAP, the net profits attributable to Jiande Sanshi before and after taxation for the year ended 31 December, 2007 were approximately RMB11.16 million (equivalent to approximately HK\$12.66 million) and RMB11.16 million (equivalent to approximately HK\$12.66 million) and the net profits attributable to the Jiande Sanshi before and after taxation for the year ended 31 December, 2008 were approximately RMB18.46 million (equivalent to approximately HK\$20.94 million) and RMB18.46 million (equivalent to approximately HK\$20.94 million).

The consideration for the acquisition of equity interests in Jiande Sanshi and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB33.82 million (equivalent to approximately HK\$39.36 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Jiande Sanshi to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Jiande Sanshi which amounts to approximately RMB49.65 million (equivalent to approximately HK\$56.32 million) and RMB3.18 million (equivalent to approximately HK\$3.61 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Jiande Sanshi will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Prior to the acquisition of further equity interests in Jiande Sanshi by South Cement pursuant to the Share Acquisition Agreement, Jiande Sanshi was held as to 60% by South Cement. Jiande Sanshi will be held as to 100% by South Cement and will become a wholly owned subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN TONGLU SANSHI

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 49% equity interests held by Sanshi Group in Tonglu Sanshi.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Tonglu Sanshi is RMB134.4 million (equivalent to approximately HK\$152.44 million).

Based on the PRC audited accounts of Tonglu Sanshi which have been prepared in accordance with PRC GAAP, the net profits attributable to Tonglu Sanshi before and after taxation for the year ended 31 December, 2007 were approximately RMB11.4 million (equivalent to approximately HK\$12.93 million) and RMB11.4 million (equivalent to approximately HK\$12.93 million) and the net loss attributable to Tonglu Sanshi before and after taxation for the year ended 31 December, 2008 were approximately RMB7.34 million (equivalent to approximately HK\$8.33 million) and RMB7.34 million (equivalent to approximately HK\$8.33 million).

The consideration for the acquisition of equity interests in Tonglu Sanshi and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB134.4 million (equivalent to approximately HK\$152.44 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Tonglu Sanshi to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Tonglu Sanshi which amounts to approximately RMB161.04 million (equivalent to approximately HK\$182.66 million) and RMB112.07 million (equivalent to approximately HK\$127.12 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Tonglu Sanshi will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Prior to the acquisition of further equity interests in Tonglu Sanshi by South Cement pursuant to the Share Acquisition Agreement, Tonglu Sanshi was held as to 48% by South Cement. Tonglu Sanshi will be held as to 97% by South Cement and will become a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN SANSHI JIAXING

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 46% equity interests held by Sanshi Group in Sanshi Jiaying.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Jiaxing is RMB28.42 million (equivalent to approximately HK\$32.24 million).

Based on the PRC audited accounts of Sanshi Jiaxing which have been prepared in accordance with PRC GAAP, the net loss attributable to Sanshi Jiaxing before and after taxation for the year ended 31 December, 2007 were approximately RMB1.59 million (equivalent to approximately HK\$1.80 million) and RMB1.59 million (equivalent to approximately HK\$1.80 million) and the net profits attributable to Sanshi Jiaxing before and after taxation for the year ended 31 December, 2008 were approximately RMB0.44 million (equivalent to approximately HK\$0.50 million) and RMB0.44 million (equivalent to approximately HK\$0.50 million).

The consideration for the acquisition of equity interests in Sanshi Jiaxing and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB28.42 million (equivalent to approximately HK\$32.24 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Jiaxing to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Jiaxing which amounts to approximately RMB36.27 million (equivalent to approximately HK\$41.14 million) and RMB17.78 million (equivalent to approximately HK\$20.17 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Zhonghe Appraisal Company Limited (中和資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Zhonghe Appraisal Company Limited (中和資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Jiaxing will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Prior to the acquisition of further equity interests in Sanshi Jiaxing by South Cement pursuant to the Share Acquisition Agreement, Sanshi Jiaxing was held as to 54% by South Cement. Sanshi Jiaxing will be held as to 100% by South Cement and will become a wholly owned subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS IN SANSHI CHANGXING

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 38% equity interests held by Sanshi Group in Sanshi Changxing.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Changxing is RMB147.07 million (equivalent to approximately HK\$166.81 million).

Based on the PRC audited accounts of Sanshi Changxing which have been prepared in accordance with PRC GAAP, the net profits attributable to Sanshi Changxing before and after taxation for the year ended 31 December, 2007 were approximately RMB11.51 million (equivalent to approximately HK\$13.06 million) and RMB11.51 million (equivalent to approximately HK\$13.06 million) and the net profits attributable to Sanshi Changxing before and after taxation for the year ended 31 December, 2008 were approximately RMB13.93 million (equivalent to approximately HK\$15.80 million) and RMB12.41 million (equivalent to approximately HK\$14.08 million).

The consideration for the acquisition of equity interests in Sanshi Changxing and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB147.07 million (equivalent to approximately HK\$166.81 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Changxing to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Changxing which amounts to approximately RMB227.24 million (equivalent to approximately HK\$257.75 million) and a loss of RMB206.57 million (equivalent to approximately HK\$234.30 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Zhonghe Appraisal Company Limited (中和資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Zhonghe Appraisal Company Limited (中和資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Changxing will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Sanshi Changxing will be held as to 38% by South Cement and will not be a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS IN SANSHI CEMENT

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 67.46% equity interests held by Sanshi Group in Sanshi Cement.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Cement is RMB203.9 million (equivalent to approximately HK\$231.27 million).

Based on the PRC audited accounts of Sanshi Cement which have been prepared in accordance with PRC GAAP, the net profits attributable to Sanshi Cement before and after taxation for the year ended 31 December, 2007 were approximately RMB1.51 million (equivalent to approximately HK\$1.741 million) and RMB1.51 million (equivalent to approximately HK\$1.71 million) and the net loss attributable to Sanshi Cement before and after taxation for the year ended 31 December, 2008 were approximately RMB28.71 million (equivalent to approximately HK\$31.95 million) and RMB28.71 million (equivalent to approximately HK\$31.95 million).

The consideration for the acquisition of equity interests in Sanshi Cement and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB203.9 million (equivalent to approximately HK\$231.27 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Cement to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Cement which amounts to approximately RMB177.46 million (equivalent to approximately HK\$201.28 million) and RMB124.99 million (equivalent to approximately HK\$141.77 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Cement will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Sanshi Cement will be held as to 67.46% by South Cement and will be a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS IN SANSHI WUTONG

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire 6.75% equity interests held by Sanshi Group in Sanshi Wutong.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Wutong is RMB15.54 million (equivalent to approximately HK\$17.63 million).

Based on the PRC audited accounts of Sanshi Wutong which have been prepared in accordance with PRC GAAP, the net profits attributable to Sanshi Wutong before and after taxation for the year ended 31 December, 2007 were approximately RMB4.83 million (equivalent to approximately HK\$5.48 million) and RMB4.83 million (equivalent to approximately HK\$5.48 million) and the net profits attributable to Sanshi Wutong before and after taxation for the year ended 31 December, 2008 were approximately RMB1.79 million (equivalent to approximately HK\$2.03 million) and RMB1.34 million (equivalent to approximately HK\$1.52 million).

The consideration for the acquisition of equity interests in Sanshi Wutong and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB15.54 million (equivalent to approximately HK\$17.63 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Wutong to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Wutong which amounts to approximately RMB135.14 million (equivalent to approximately HK\$153.29 million) and RMB69.68 million (equivalent to approximately HK\$79.03 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Beijing Zhongzheng Appraisal Company Limited (北京中証資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Beijing Zhongzheng Appraisal Company Limited (北京中証資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Wutong will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Sanshi Wutong will be held as to 6.75% by South Cement and will not be a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS IN SANSHI XIAOPU

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 51% equity interests held by Sanshi Group in Sanshi Xiaopu.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Sanshi Xiaopu is RMB13.23 million (equivalent to approximately HK\$15.01 million).

Based on the PRC audited accounts of Sanshi Xiaopu which have been prepared in accordance with PRC GAAP, the net loss attributable to Sanshi Xiaopu before and after taxation for the year ended 31 December, 2007 were approximately RMB4.24 million (equivalent to approximately HK\$4.81 million) and RMB4.24 million (equivalent to approximately HK\$4.81 million) and the net loss attributable to Sanshi Xiaopu before and after taxation for the year ended 31 December, 2008 were approximately RMB0.17 million (equivalent to approximately HK\$0.19 million) and RMB0.17 million (equivalent to approximately HK\$0.19 million).

The consideration for the acquisition of equity interests in Sanshi Xiaopu and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB13.23 million (equivalent to approximately HK\$15.01 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Sanshi Xiaopu to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Sanshi Xiaopu which amounts to approximately RMB15.24 million (equivalent to approximately HK\$17.29 million) and RMB1.84 million (equivalent to approximately HK\$2.09 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Sanshi Xiaopu will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Sanshi Xiaopu will be held as to 51% by South Cement and will be a subsidiary of the Company subsequent to the Acquisition.

SHARE ACQUISITION AGREEMENT IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS IN FUYANG SANSHI

Date:

26 June 2009

Parties:

Sanshi Group

Parent

South Cement

Shanghai Lixin Zhongcheng Asset and Equity Management

Equity interests to be acquired:

South Cement entered into a Share Acquisition Agreement on 26 June 2009 with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the 44.8% equity interests held by Sanshi Group in Fuyang Sanshi.

LETTER FROM THE BOARD

Consideration and payment term:

The consideration payable in cash for the acquisition of equity interests in Fuyang Sanshi is RMB27.57 million (equivalent to approximately HK\$31.27 million).

Based on the PRC audited accounts of Fuyang Sanshi which have been prepared in accordance with PRC GAAP, the net profits attributable to Fuyang Sanshi before and after taxation for the year ended 31 December, 2007 were approximately RMB10.81 million (equivalent to approximately HK\$12.26 million) and RMB10.81 million (equivalent to approximately HK\$12.26 million) and the net loss attributable to Fuyang Sanshi before and after taxation for the year ended 31 December, 2008 were approximately RMB23.17 million (equivalent to approximately HK\$26.28 million) and RMB23.17 million (equivalent to approximately HK\$26.28 million).

The consideration for the acquisition of equity interests in Fuyang Sanshi and related costs will be financed by internal resources of South Cement.

Basis of consideration:

The consideration of RMB27.57 million (equivalent to approximately HK\$31.27 million) is equivalent to the bid price offered by South Cement at the government controlled state-owned assets auction held by the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) on 22 June 2009.

In accordance with a resolution made by the Board on 23 June 2009, the Board considers the consideration payable for the equity interests in Fuyang Sanshi to be fair and reasonable having taken into account the net asset value and the book value attributable to the equity interests in Fuyang Sanshi which amounts to approximately RMB36.13 million (equivalent to approximately HK\$40.98 million) and RMB10.99 million (equivalent to approximately HK\$12.47 million) respectively as at 30 June 2008. Such net asset value was determined on a cost basis and appraised by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) an independent valuer employed by South Cement. Given that the valuation report prepared by Shanghai Asset Appraisal Company Limited (上海上會資產評估有限公司) has a 1 year validity period, the Board is of the view that the valuation report forms a suitable basis for determining whether the consideration is fair and reasonable and in the interests of the Shareholders.

LETTER FROM THE BOARD

Conditions:

The Share Acquisition Agreement for the acquisition of equity interests in Fuyang Sanshi will become effective once 1) Company, Sanshi Group, Parent and South Cement have signed, and affixed their seals to the Share Acquisition Agreement; 2) the Shanghai United Assets and Equity Exchange has reviewed, affixed its seal to and issued the share transfer certificates with respect to the Share Acquisition Agreement; and 3) approvals required from the respective corporate governance bodies of South Cement and the Company have been obtained in respect of the transactions contemplated under the Share Acquisition Agreement.

As at the Latest Practicable Date, conditions (1) and (2) have been fulfilled.

Fuyang Sanshi will be held as to 44.8% by South Cement and will be a subsidiary of the Company subsequent to the Acquisition.

The total consideration payable in cash for the Acquisition is RMB750,000,000 (equivalent to approximately HK\$850,687,355). Given that the Acquisition will allow the Company to maintain its significant strategic competitive advantages in the South East Region's cement industry and leverage on the synergies between the Group and the Sanshi Group Companies, thus increasing production efficiencies and lowering production costs, the Board considers the consideration payable for the Equity Interests to be fair and reasonable and in the interests of the Shareholders as a whole. RMB150,000,000 (equivalent to approximately HK\$ 170,137,471), which is equivalent to 20% of the minimum consideration for the Equity Interests, has been paid by the Company to the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) as a security deposit for entering into the auction for the Equity Interests which was conducted between 3 June 2009 and 23 June 2009. Under the above Share Acquisition Agreements, the balance of the consideration has to be fully paid in cash within 5 business days after each of the Share Acquisition Agreements has become effective.

Each of the above Share Acquisition Agreements is independent and not conditional upon each other.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The directors of the Company believe that the Acquisition will enable the Group to further develop and expand its cement business in the South East Region. The proposed share acquisition is in line with the long term strategic development of the Company, helps facilitate the synergy among various cement companies of the Group and will increase the Company's cement and clinker production capacity and strengthen its competitive position in the cement market in the South East Region.

The directors of the Company are of the view that the Share Acquisition Agreements have been entered into on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Share Acquisition Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON SANSHI GROUP AND THE SANSHI GROUP COMPANIES

Sanshi Group is engaged in the production, sale and development of technology relating to cement and other building materials. Sanshi Group is also a shareholder of companies involved in the production and sale of cement. It is a wholly owned subsidiary of Parent.

The Sanshi Group Companies have a total annual cement production capacity of approximately 11.49 million tonnes.

Sanshi Hede is engaged in the production and sale of cement. Sanshi Hede is owned as to 45%, 40% and 15% by Sanshi Group, South Cement and Changxing Wutong Investment Company Limited* (長興五通投資有限公司) respectively. It currently owns a production line with a daily clinker capacity of 5,000 tonnes, an annual clinker capacity of 1.55 million tonnes, and a 9MW residual heat power generation facility.

Shaoxing Sanshi is engaged in the production and sale of cement. Shaoxing Sanshi is owned as to 62% and 38% by South Cement and Sanshi Group respectively. It currently owns a production line with a daily clinker capacity of 2,000 tonnes, an annual clinker capacity of 0.62 million tonnes and an annual cement capacity of 0.70 million tonnes.

Jiande Sanshi is engaged in the production and sale of cement. Jiande Sanshi is owned as to 60% and 40% by South Cement and Sanshi Group respectively. It currently owns a production line with a daily clinker capacity of 4,000 tonnes, an annual clinker capacity of 1.24 million tonnes and a 9MW residual heat power generation facility.

Tonglu Sanshi is engaged in the production and sale of cement. Tonglu Sanshi is owned as to 49%, 48% and 3% by Sanshi Group, South Cement and Sanshi Wutong respectively. It currently owns two production lines with a daily clinker capacity of 2,500 tonnes, an annual clinker capacity of 1.55 million tonnes and a 9MW residual heat power generation facility.

Sanshi Jiaxing is engaged in the production and sale of cement. Sanshi Jiaxing is owned as to 54% and 46% by South Cement and Sanshi Group respectively. It currently owns a production line with an annual cement grinding capacity of 1 million tonnes.

Sanshi Changxing is engaged in the production and sale of cement. Sanshi Changxing is owned as to 38%, 37% and 25% by Sanshi Group, Changxing Wutong Investment Company Limited and Yatai Lvye Company Limited (Hongkong)* (亞太鋁業有限公司(香港)) respectively. It currently owns a production line with a daily clinker capacity of 5,000 tonnes and an annual clinker capacity of 1.55 million tonnes.

LETTER FROM THE BOARD

Sanshi Cement is engaged in the production and sale of cement. Sanshi Cement is owned as to 67.46%, 16.92%, 12.73%, 2.12%, 0.59% and 0.18% by Sanshi Group, China Huarong Asset Management Corporation (中國華融資產管理公司), Zhejiang Province Asset Development and Management Co., Ltd.* (浙江省發展資產經營有限公司), Sanshi Wutong, Sanshi Changxing and Sanshi Xiaopu. It currently owns a production line with an annual cement grinding capacity of 1.60 million tonnes.

Sanshi Wutong is engaged in the production and sale of cement. Sanshi Wutong is owned as to 6.75%, 25% and 68.25% by Sanshi Group, Sinofair (Hong Kong) Limited and Changxing Wutong Investment Company Limited* (長興五通投資有限公司) respectively. It currently owns a production line with a daily clinker capacity of 2,500 tonnes and has an annual clinker capacity of 0.775 million tonnes.

Sanshi Xiaopu is engaged in the production and sale of cement. Sanshi Xiaopu is owned as to 51% and 49% by Sanshi Group and Changxing Wutong Investment Company Limited* (長興五通投資有限公司) respectively. It currently owns a production line with an annual cement grinding capacity of 0.20 million tonnes.

Fuyang Sanshi is engaged in the production and sale of cement. Fuyang Sanshi is owned as to 44.8%, 25% and 30.2% by Sanshi Group, Pt Resources Pty. Ltd.* (澳大利亞先豐資源有限公司) and Fuyang Sanshan Building Materials Company* (富陽三山建材有限公司). It currently owns a production line with a daily clinker capacity of 4,000 tonnes and has an annual clinker capacity of 1.24 million tonnes.

INFORMATION ON SOUTH CEMENT

South Cement is engaged in the production and sale of cement. It is held as to 75% by the Company and was established for the purpose of developing the Group's cement business in the South East Region. South Cement has an annual cement production capacity of approximately 87 million tonnes.

INFORMATION ON THE COMPANY

The Company is a leading building materials company in PRC with significant operations in the cement, lightweight building materials, glass fibre and composite materials, and engineering services business segments.

LETTER FROM THE BOARD

LISTING RULE IMPLICATIONS

As Parent and Sanshi Group are connected persons of the Company by virtue of Parent being a substantial shareholder (as defined in the Listing Rules) of the Company and by virtue of Sanshi Group being a substantial shareholder (as defined in the Listing Rules) of certain non-wholly owned subsidiaries of the Company (such as Sanshi Hede, Shaoxing Sanshi, Sanshi Jiaying, Tonglu Sanshi and Jiande Sanshi) as well as an associate of Parent, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement as well as independent shareholders' approval requirements. The Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules as two of the applicable percentage ratios exceed 5% but not more than 25% under Chapter 14 of the Listing Rules.

As Parent (which directly holds approximately 13.67% equity interests in the Company as at the Latest Practicable Date), has a material interest in the Acquisition, Parent and its three wholly owned subsidiaries, namely Beijing New Building Material Company Limited (which holds approximately 30.46% equity interests in the Company), CNBM Trading (which holds approximately 4.67% equity interests in the Company) and China Building Materials Academy (which holds approximately 0.02% equity interests in the Company), will abstain from voting in relation to the resolution approving the Acquisition at the EGM.

An Independent Board Committee has been formed to advise the independent shareholders on whether or not the terms of the Acquisition are in the interests of the Company and are fair and reasonable so far as the Shareholders as a whole are concerned. GF Capital has been appointed to advise the Independent Board Committee and the Shareholders regarding the terms of the Acquisition.

LETTER FROM THE BOARD

3) PROPOSED APPOINTMENT OF AN ADDITIONAL EXECUTIVE DIRECTOR AND PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

To strengthen the corporate governance of the Company, the Board intends to obtain approval of the appointment of Mr Cui Xingtai as an additional executive Director, as well as the approval of the proposed amendments to the Articles of Association of the Company pursuant to an ordinary and a special resolution to be proposed respectively at its forthcoming EGM in accordance with the relevant laws and regulations of the PRC and the requirements under the Listing Rules.

Upon the appointment of Mr Cui Xingtai, there will be 13 members on the Board, namely, Mr Song Zhiping, Mr Cao Jianglin, Mr Li Yimin, Mr Peng Shou, Mr Cui Xingtai, Ms Cui Lijun, Mr Huang Anzhong, Mr Zuo Fenggao, Mr Zhang Renwei, Mr Zhou Daojiong, Mr Chi Haibin, Mr Li Decheng and Mr Lau Ko Yuen, Tom.

After Mr Cui Xingtai's appointment, there will be 5 executive Directors (namely, Mr Song Zhiping, Mr Cao Jianglin, Mr Li Yimin, Mr Peng Shou and Mr Cui Xingtai).

The biographical details of Mr Cui Xingtai who is proposed to be appointed as an executive Director at the forthcoming EGM are set out below pursuant to Rule 13.51(2) of the Listing Rules to enable the shareholders of the Company to make an informed decision on the proposed appointment.

Cui Xingtai (崔星太), aged 47, is a vice president of the Company. Mr Cui joined the Group since June 1999 and has over 24 years of business and management experience in China's building materials industry. He has served as the secretary of the Party Committee of China United since August 2004 and the chairman of China United since April 2005. Mr Cui served as the vice chairman of China United from August 2004 to April 2005, deputy chief engineer of Parent from November 2003 to March 2005, chief engineer of China United from July 1999 to August 2004, and deputy general manager of China United from April 2002 to August 2004. From June 1997 to January 1999, Mr Cui served as the head of Shandong Lunan Cement Factory. Mr Cui received a bachelor's degree in engineering from Wuhan Industry University (now Wuhan University of Technology) in July 1984 and graduated in enterprise management from the Graduate School of the Chinese Academy of Social Sciences in July 1998. Further, he was granted the master's degree in business administration for senior management by Tsinghua University on 17 January 2008. He is qualified as a senior engineer. Mr Cui has been the vice president of China Cement Association since December 2007.

A Director service contract will be entered into between the Company and Mr Cui for a term commencing from the date of the passing of the ordinary resolution at the forthcoming EGM until the date of expiration of the term of the current session of the Board, namely, 30 June 2011. Mr Cui's remuneration will be determined by the Board in accordance with the authorisation granted by the shareholders of the Company at the annual general meeting of the Company held on 30 June 2008 and on the basis of Mr Cui's duties and performance in the Company.

LETTER FROM THE BOARD

Save as disclosed above, as at the Latest Practicable Date, Mr Cui has confirmed that he (i) does not hold other offices in any member of the Group; (ii) is not related to any directors, senior management, substantial shareholders or controlling shareholders of the Company or other members of the Group; (iii) does not have any interests in shares of the Company within the meaning of Part XV of the SFO; and (iv) did not hold any other directorships or other major appointments and qualifications in any listed companies in the past three years.

As at the Latest Practicable Date, there is no information which is discloseable, nor is the Company aware that Mr Cui is/was involved in any of the matters required to be disclosed, pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules. Save for the above, there is no other matter that needs to be brought to the attention of the shareholders of the Company.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

In view of the proposed appointment of an additional executive Director, the Company is required to make necessary amendments to the relevant provisions of the Articles of Association. A special resolution to consider and approve the making of such amendment will be proposed at the EGM. The proposed amendment is as follows (with deletions indicated in square brackets and italics and insertions indicated by underline):

Existing Article 10.1

The Company shall establish a board of directors, which reports to the general meeting. The board of directors shall consist of *[12]* [Deleted] directors and shall have one chairman of the board and *[11]* [Deleted] directors, five of which being independent non-executive directors.

New Article 10.1

The Company shall establish a board of directors, which reports to the general meeting. The board of directors shall consist of 13 directors and shall have one chairman of the board and 12 directors, five of which being independent non-executive directors.

The above amendment to the Articles of Association shall take effect upon the approval of the relevant special resolution by the Shareholders at the EGM.

In accordance with the proposed amendment to the Articles of Association, the composition of the Board shall increase from 12 members to 13 members, consisting of five executive Directors, three non-executive Directors and five independent non-executive Directors.

LETTER FROM THE BOARD

4) EXTRAORDINARY GENERAL MEETING

An EGM will be held at 10:00 a.m. on 24 August 2009 at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC, to approve, the Acquisition by way of ordinary resolution, the proposed appointment of an additional executive Director by way of ordinary resolution and the proposed amendment to the Articles of Association by way of special resolution. A form of proxy and the reply slip for use at the EGM are enclosed with this circular.

The notice of EGM is set out on pages 50 to 52 of this circular.

Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding of the EGM.

5) RECOMMENDATIONS

The Directors believe the Acquisition, the proposed appointment of Mr Cui Xingtai as an additional executive Director and the proposed amendment to the Articles of Association are in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders of the Company vote in favour of the relevant resolutions set out in the notice of EGM.

6) VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders of the Company at a general meeting must be taken by poll. Parent and its associates will abstain from voting at the EGM.

7. ELECTION OF MEANS OF RECEIPT OF CORPORATE COMMUNICATION

In order to protect the environment and save costs, the Company is making the arrangements to ascertain the preference of its shareholders as to the choice of means of receipt of Corporate Communication in the future. A letter, a reply form and a pre-paid addressed envelope are enclosed with this circular for indicating your choice of the means of receipt of Corporate Communication.

Yours faithfully,
On behalf of the Board
Song Zhiping
Chairman



CNBM

China National Building Material Company Limited*

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

9 July 2009

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE
ACQUISITION OF EQUITY INTERESTS OF TEN COMPANIES HELD BY
SANSHI GROUP**

We refer to the circular of the Company to the Shareholders dated 30 June 2009 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders as to whether the Acquisition is fair and reasonable so far as the Company and the Shareholders are concerned. We wish to draw your attention to the letter of advice from GF Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Acquisition as set out on pages 30 to 45 of the Circular and the letter from the Board set out on pages 1 to 28 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of GF Capital as stated in its letter of advice, we consider the Acquisition to be fair and reasonable so far as the Shareholders are concerned and in the interests of the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,

The Independent Board Committee of
China National Building Material Company Limited

Zhang Renwei

Zhou Daojiong

Chi Haibin

Li Decheng

Lau Ko Yuen, Tom

Independent non-executive Directors

* *For identification only*

LETTER FROM GF CAPITAL

The following is the text of a letter of advice from GF Capital, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Shareholders in connection with the terms of the Acquisition.



9 July 2009

*To the Independent Board Committee
and the Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTERESTS OF TEN COMPANIES HELD BY SANSHI GROUP

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the connected transaction in relation to the terms of the Share Acquisition Agreements, particulars of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 9 July 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As disclosed in the announcement of the Company dated 26 June 2009, pursuant to a government controlled state-owned assets auction, South Cement, a subsidiary of the Company, succeeded in bidding and entered into 10 separate Share Acquisition Agreements with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire the equity interests held by Sanshi Group in the Sanshi Group Companies. As Parent and Sanshi Group are connected persons of the Company by virtue of Parent being a substantial shareholder (as defined on the Listing Rules) of the Company and by virtue of Sanshi Group being a substantial shareholder (as defined on the Listing Rules) of certain non-wholly owned subsidiaries of the Company (such as Sanshi Hede, Shaoxing Sanshi, Sanshi Jiaying, Tonglu Sanshi and Jiande Sanshi) as well as an associate of Parent, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement as well as independent shareholders’ approval requirements. The Acquisition also constitutes a discloseable transaction of the Company under the Listing Rules as two of the applicable percentage ratios exceed 5% but not more than 25% under Chapter 14 of the Listing Rules.

LETTER FROM GF CAPITAL

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Renwei, Mr. Zhou Daojiong, Mr. Chi Haibin, Mr. Li Decheng and Mr. Lau Ko Yuen, Tom, has been established to give advice to the Shareholders in relation to the Share Acquisition Agreements.

We have been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Share Acquisition Agreements are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and whether the entering into of the Share Acquisition Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives and the Directors for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Company, its representative and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

LETTER FROM GF CAPITAL

Our review and analyses were based upon the information provided by the Company which include, among others, (i) the annual reports of the Company for two years ended 31 December 2008; and (ii) the valuation reports of the Sanshi Group Companies. We consider that we have reviewed sufficient information which enables us to reach an informed view and to provide us with a reasonable basis for our opinion. We have no reason to suspect that any material facts or information which is known to the Company, its representatives and the Directors have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information, facts, and representation provided, or the reasonableness of the opinions and representation expressed by the Company, its representatives and the Directors. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, assets and liabilities, and the prospects of the Company and the Sanshi Group Companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Shareholders, we have considered the following principal factors and reasons:

1. Information on the Group

The Group is a leading building materials group in the PRC with significant operations in the cement, lightweight building materials, glass fiber and fiberglass reinforced plastics products, and engineering services business segments.

Review of financial performance of the Group

Based on the information set out in the annual reports for 2007 and 2008 of the Company, the financial results of the Company are summarized as follows:

	For the year ended 31 December		
	2006	2007	2008
	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000
Revenue	6,451,830	10,514,411	26,365,159
Gross profit	1,297,228	1,995,086	4,513,421
Profit/(Loss) attributable to equity holders of the Company	298,146	912,446	1,511,542

LETTER FROM GF CAPITAL

The Company's consolidated revenue for the year 2008 amounted to RMB26,365.2 million, representing an increase of 150.8% from RMB10,514.4 million in 2007, primarily due to an increase of RMB9,948.9 million in revenue from South Cement, an increase of RMB3,647.3 million in revenue from China United, an increase of RMB1,135.6 million in revenue from the Group's engineering services segment, an increase of RMB767.7 million in revenue from the Group's glass fiber and FRP products segment and an increase of RMB233.0 million in revenue from the Group's lightweight building materials segment. Accordingly, profit attributable to the equity holders of the Company increased by 65.7% to RMB1,511.5 million in 2008 from RMB912.4 million in 2007.

Cement segment of the Group

As the Sanshi Group Companies are principally engaged in production and sales of cement and clinker, we have reviewed the existing cement segment of the Group. Based on the information set out in the annual reports for 2007 and 2008 of the Company, the major operating results of cement segment of the Group are set out below:

	For the year ended 31 December		
	2006	2007	2008
China United Cement Company Limited			
("China United")			
Production volume - cement			
(in thousand tonnes)	9,511.0	13,675.6	23,109.3
Production volume - clinker			
(in thousand tonnes)	9,942.8	15,635.5	24,170.0
Sales volume - cement (in thousand tonnes)	9,178.5	13,780.7	23,180.0
Sales volume - clinker (in thousand tonnes)	3,298.7	6,717.9	9,100.7
Unit selling price - cement (RMB per tonne)	185.8	190.3	232.1
Unit selling price - clinker (RMB per tonne)	154.1	158.1	211.0
South Cement			
Production volume - cement (in thousand tonnes)		2,987.6	30,673.4
Production volume - clinker (in thousand tonnes)		3,841.4	32,808.3
Sales volume - cement (in thousand tonnes)		3,063.2	32,390.6
Sales volume - clinker (in thousand tonnes)		2,240.3	14,217.7
Unit selling price - cement (RMB per tonne)		203.5	230.6
Unit selling price - clinker (RMB per tonne)		187.7	222.2

LETTER FROM GF CAPITAL

The Directors are of the view that efficient management integration is one of the key elements to the great improvement in production and sales of cement and clinker in 2008. As stated in the 2008 annual report of the Company, the Company pushed ahead with its consolidation and restructuring efforts in the Huaihai Economic Zone and the Southeast Economic Zone. By enlarging market share, continuous synergy has taken shape in core profit regions including Shandong, Henan, Zhejiang, Shanghai, Jiangsu, Hunan and Jiangxi. By the end of 2008, the cement capacity of the Company was over 110 million tonnes.

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

We note that the improving results of cement segment of the Group over the period under our review were primarily due to the continuous increase in production capacity and the benefits from the economies of scale. We concur with the view of the Directors that the acquisition of the Sanshi Group Companies will allow the Group to enhance its production capacity of cement and clinker and strengthen its competitive position in the cement market, in particular in the Zhejiang region. Based on the track records of the financial performance of the Group, we are of the view that the Group’s cement segment has experienced substantial growth and that the acquisition of the Sanshi Group Companies is reasonable to maintain such growth and the Group’s leading position and competitiveness in the cement industry which is in line with the Group’s strategy. Further details of this business strategy of the Group is set out in the section headed “6. Reasons for the Acquisition” below.

2. Overview of the cement industry in the PRC

The PRC’s economy has been experiencing continuous growth in previous years. According to the National Bureau of Statistics of China, from 2004 to 2008, the PRC’s nominal gross domestic product grew from RMB15,988 billion to RMB30,067 billion, representing a compound annual growth rate of 17.1%. The strong growth was contributed by, among others, rapid growth in fixed assets investments such as properties. The fixed assets investments in 2008 reached RMB17,229 billion, representing an increase of 25.5% from 2007.

LETTER FROM GF CAPITAL

Benefiting from the rapid growth in fixed assets investment in the PRC, the PRC cement industry recorded surging cement output and record highs in revenue and profits. As disclosed in the annual report 2008 of the Company, according to the National Development and Reform Commission, the total output of cement in the PRC amounted to approximately 1.39 billion tones in 2008, an increase of 5.2% over 2007. By improving overall operation quality, the cement industry established a new profit record of RMB28 billion. During 2008, outdated production facilities were gradually phased out in the industry. The remarkable results achieved, of which new suspension preheater dry process cement clinker accounted for 61%, can be attributed to industry restructuring. In 2008, production concentration increased through merger, restructuring, consolidation and resource allocation optimization, which boosted restructuring of the cement industry and greatly improved overall conditions within the industry.

Accordingly, amid to the restructuring and consolidation of the cement industry in the PRC, we are of the view that a healthy growth of the cement industry benefiting from the rapid growth of fixed assets investment in the PRC is expected.

3. Background of the Acquisition

As disclosed in the announcement of the Company dated 26 June 2009, pursuant to a government controlled state-owned assets auction, South Cement, a subsidiary of the Company, succeeded in bidding and entered into 10 separate Share Acquisition Agreements with Sanshi Group (a wholly owned subsidiary of Parent), Parent and Shanghai Lixin Zhongcheng Asset and Equity Management to acquire further equity interests held by Sanshi Group in the following Sanshi Group Companies:

- 1) 45% equity interests in Sanshi Hede;
- 2) 38% equity interests in Shaoxing Sanshi;
- 3) 40% equity interests in Jiande Sanshi;
- 4) 49% equity interests in Tonglu Sanshi;
- 5) 46% equity interests in Sanshi Jiaxing;
- 6) 38% equity interests in Sanshi Changxing;
- 7) 67.46% equity interests in Sanshi Cement;
- 8) 6.75% equity interests in Sanshi Wutong;
- 9) 51% equity interests in Sanshi Xiaopu; and
- 10) 44.8% equity interests in Fuyang Sanshi.

LETTER FROM GF CAPITAL

4. Information on the Sanshi Group Companies

The Sanshi Group Companies are principally engaged in the production and sale of cement in the PRC. Set out below are the operation data and financial information (based on the generally accepted accounting principle in the PRC) of the Sanshi Group Companies:

Sanshi Group Companies	Equity interest to be acquired	Equity interests held by South Cement upon completion of the Acquisition	Annual clinker production capacity (Tonnes thousand)	Annual cement production capacity (Tonnes thousand)
Sanshi Hede	45%	85%	1,550	/
Shaoxing Sanshi	38%	100%	620	700
Jiande Sanshi	40%	100%	1,240	/
Tonglu Sanshi	49%	97%	1,550	/
Sanshi Jiaxing	46%	100%	/	1,000
Sanshi Changxing	38%	38%	1,550	/
Sanshi Cement	67.46%	67.46%	/	1,600
Sanshi Wutong	6.75%	6.75%	775	/
Sanshi Xiaopu	51%	51%	/	200
Fuyang Sanshi	44.8%	44.8%	1,240	/

Sanshi Group Companies	As at 30 June 2008	For the year ended 31 December 2008	
	Net assets	Appraised net assets	Net profit/(loss) after taxation
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sanshi Hede	142.81	175.57	21.96
Shaoxing Sanshi	(51.06)	17.77	(21.29)
Jiande Sanshi	3.18	49.65	18.46
Tonglu Sanshi	112.07	161.04	(7.34)
Sanshi Jiaxing	17.78	36.27	0.44
Sanshi Changxing	206.57	227.24	12.41
Sanshi Cement	124.99	177.46	(28.71)
Sanshi Wutong	69.68	135.14	1.34
Sanshi Xiaopu	1.84	15.24	(0.17)
Fuyang Sanshi	10.99	36.13	(23.17)

LETTER FROM GF CAPITAL

Note:

1. The appraised net asset values are extracted from the valuation reports of the Sanshi Group Companies which are prepared by independent valuers. Details of which please refer to “5. Terms of the Acquisition” below.

5. Terms of the Acquisition

As state in the Letter from the Board, the Board considers the considerations payable for the equity interests in each of the Sanshi Group Companies to be fair and reasonable.

In accessing the fairness and reasonableness of the considerations of the Acquisition, we have reviewed and compared the price to net asset ratio of the Sanshi Group Companies and those of companies listed on the Stock Exchange which are principally engaged in the manufacture and sale of cement products (the “**Comparable Companies**”). Based on our work done, we have identified a total of nine Comparable Companies (including the Company) that are principally engaged in the cement industry. Details of our findings on the Comparable Companies are summarized in the table below:

Company (Stock code)	Year-end date <i>(dd/mm/yyyy)</i>	Market capitalization as at 26 June 2009 <i>(HK\$ million)</i>	Latest published audited net asset value <i>(Note 1)</i> <i>(HK\$ million)</i>	Price-to-book ratio <i>(Note 2)</i>
Anhui Conch Cement Company Limited (914)	31/12/2008	88,675.00	28,122.67	3.15
Asia Cement (China) Holdings Corporation (743)	31/12/2008	8,979.56	7,447.85	1.21
China National Materials Company Limited (1893)	31/12/2008	22,571.65	13,803.77	1.64
China Shanshui Cement Group Limited (691)	31/12/2008	14,605.21	5,204.27	2.81
Luks Industrial (Group) Limited (366)	31/12/2008	2,224.56	2,203.40	1.01
Prosperity International Holdings (H.K.) Limited (803)	31/3/2008	1,165.99	173.81	6.71

LETTER FROM GF CAPITAL

Shanghai Allied Cement Limited (1060)	31/12/2008	773.84	505.96	1.53
TCC International Holdings Limited (1136)	31/12/2008	4,082.01	3,861.46	1.06
Mean of the Comparable Companies				2.39
The Company	31/12/2008	38,756.58	13,710.54	2.83
Sanshi Group Companies	Date of appraised net assets	Consideration	Appraised net assets for equity interest to be acquired	Price-to-appraised net asset ratio
	<i>(dd/mm/yyyy)</i>	<i>(RMB million)</i>	<i>(Note 3) (RMB million)</i>	<i>(Note 4)</i>
Sanshi Hede	30/06/2008	134.56	79.01	1.70
Shaoxing Sanshi	30/06/2008	11.50	6.75	1.70
Jiande Sanshi	30/06/2008	33.82	19.86	1.70
Tonglu Sanshi	30/06/2008	134.40	78.91	1.70
Sanshi Jiaxing	30/06/2008	28.42	16.68	1.70
Sanshi Changxing	30/06/2008	147.07	86.35	1.70
Sanshi Cement	30/06/2008	203.90	119.71	1.70
Sanshi Wutong	30/06/2008	15.54	9.12	1.70
Sanshi Xiaopu	30/06/2008	13.23	7.77	1.70
Fuyang Sanshi	30/06/2008	27.57	16.19	1.70

Source: the website of the Stock Exchange

Notes:

1. Calculated using an exchange rate of RMB1=HK\$1.13.
2. Based on the market capitalization as at 26 June 2009 (the date of the Share Acquisition Agreements) and divided by the latest published audited net asset value of the respective Comparable Companies.
3. Based on the appraised net asset value of the Sanshi Group Companies by the valuers and multiplied by the equity interests to be acquired.
4. Based on the consideration and divided by the appraised net assets for equity interests to be acquired from each of the Sanshi Group Companies.

LETTER FROM GF CAPITAL

As shown in the table above, the price-to-book ratios of the Comparable Companies ranged from 1.01 to 6.71. The mean of the price-to-book ratios of the Comparable Companies was about 2.39. The price-to-appraised net asset ratios of all of the Sanshi Group Companies are 1.70, which are lower than the mean of the Comparable Companies and the price-to-book ratio of the Company. Having considered that the Sanshi Group Companies are private companies which should warrant a discount to its price-to-book ratio as compared to the listed comparables, we are of the view that such discount as reflected in the consideration which is determined by reference to the valuations of the Sanshi Group Companies is fair and reasonable.

We note that the valuation date of the Sanshi Group Companies is 30 June 2008 which is approximately one year ago. As informed by the Company, separately preparing updated valuation reports with a more recent reference date is not feasible as the Acquisition is subject to the rules and regulations of open auction. Therefore in order to justify that the adoption of the appraised values of the Sanshi Group Companies as at 30 June 2008 is reasonable when comparing with the market values of the Comparable Companies as at 26 June 2009, we have reviewed the share prices of the Comparable Companies as at 30 June 2008. We note that their share prices as at 26 June 2009 (save for China Shanshui Cement Group Limited which commenced listing on 4 July 2008) represented an average increase of approximately 22.67% as compared to their share prices as at 30 June 2008. To certain extent this indicates that the valuation of cement companies in the PRC at least has not deteriorated for the period from 30 June 2008 to 26 June 2009. As discussed with the management of the Company, they have conducted due diligence works on the Sanshi Group Companies. They note that certain Sanshi Group Companies had recorded net losses during the period. However they are of the view that the Group's primarily interest in the Sanshi Group Companies is their existing production capacity instead of their past financial results. Further discussion on this view is set out in the last paragraph of this section below. As they are not aware of any material adverse change in the principal assets of the Sanshi Group Companies during this period, it is reasonable to expect that their values at present will not have material deterioration from 30 June 2008. Given that the price-to-appraised net asset ratios of all of the Sanshi Group Companies are far lower than the mean of the Comparable Companies by 28.87%, we are of the view that the considerations payable for the Acquisition is fair and reasonable.

In order to further examine the fairness and reasonableness by adopting appraised net asset values as reference for consideration instead of book values, we have reviewed the valuation reports of the Sanshi Group Companies in respect of the appraised net asset values which were prepared by various independent valuers.

Sanshi Hede

According to the valuation report of Sanshi Hede prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Sanshi Hede as at 30 June 2008 was about RMB175.57 million, representing an appreciation of RMB32.76 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from the valuation surplus for land use rights of approximately RMB20.72 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and market comparison method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

LETTER FROM GF CAPITAL

Shaoxing Sanshi

According to the valuation report of Shaoxing Sanshi prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Shaoxing Sanshi as at 30 June 2008 was about RMB17.77 million, representing an appreciation of RMB68.83 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the revaluation of equipment of approximately RMB12.90 million which are attributable to the updated replacement cost and depreciation period; and (ii) the valuation surplus for land use rights of approximately RMB39.89 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and market comparison method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Jiande Sanshi

According to the valuation report of Jiande Sanshi prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Jiande Sanshi as at 30 June 2008 was about RMB49.65 million, representing an appreciation of RMB46.47 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the revaluation of buildings (including relevant structures and facilities) of approximately RMB20.06 million which are attributable to the updated replacement cost and depreciation period; and (ii) the valuation surplus for land use rights of approximately RMB26.31 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and cost approximation method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Tonglu Sanshi

According to the valuation report of Tonglu Sanshi prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Tonglu Sanshi as at 30 June 2008 was about RMB161.04 million, representing an appreciation of RMB48.97 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the revaluation of equipment of approximately RMB26.88 million which are attributable to the updated replacement cost and depreciation period; and (ii) the valuation surplus for land use rights of approximately RMB19.32 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and market comparison method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

LETTER FROM GF CAPITAL

Sanshi Jiaxing

According to the valuation report of Sanshi Jiaxing prepared by Zhonghe Appraisal Company Limited dated 5 May 2009, the appraised net asset value of Sanshi Jiaxing as at 30 June 2008 was about RMB36.27 million, representing an appreciation of RMB18.49 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from the valuation surplus for land use rights of approximately RMB13.12 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Sanshi Changxing

According to the valuation report of Sanshi Changxing prepared by Zhonghe Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Sanshi Changxing as at 30 June 2008 was about RMB227.24 million, representing an appreciation of RMB20.67 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from the revaluation of buildings (including relevant structures and facilities) of approximately RMB13.62 million which are attributable to the updated replacement cost and depreciation period. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Sanshi Cement

According to the valuation report of Sanshi Cement prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Sanshi Cement as at 30 June 2008 was about RMB177.46 million, representing an appreciation of RMB52.47 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the appreciation of long-term investment of about RMB13.81 million primarily due to the increase in net asset value of its investment in a number of private companies in the PRC; and (ii) the revaluation of buildings (including relevant structures and facilities) of approximately RMB37.17 million which are attributable to the updated replacement cost and depreciation period. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

LETTER FROM GF CAPITAL

Sanshi Wutong

According to the valuation report of Sanshi Wutong prepared by Beijing Zhongzheng Appraisal Company Limited dated 5 May 2009, the appraised net asset value of Sanshi Wutong as at 30 June 2008 was about RMB135.14 million, representing an appreciation of RMB65.46 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the revaluation of equipment and machinery of approximately RMB38.95 million which are attributable to the updated replacement cost and depreciation period; and (ii) the valuation surplus for land use rights of approximately RMB15.71 million mainly due to the appreciation in land value in different valuation methods. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and cost approximation method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Sanshi Xiaopu

According to the valuation report of Sanshi Xiaopu prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Sanshi Xiaopu as at 30 June 2008 was about RMB15.24 million, representing an appreciation of RMB13.40 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from the revaluation of buildings (including relevant structures and facilities) of approximately RMB10.38 million which are attributable to the updated replacement cost and depreciation period. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and market comparison method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

Fuyang Sanshi

According to the valuation report of Fuyang Sanshi prepared by Shanghai Asset Appraisal Company Limited dated 31 October 2008, the appraised net asset value of Fuyang Sanshi as at 30 June 2008 was about RMB36.13 million, representing an appreciation of RMB25.14 million over the audited net asset value as at 30 June 2008. The appreciation arises primarily from (i) the revaluation of equipment of approximately RMB16.64 million which are attributable to the updated replacement cost and depreciation period; and (ii) the valuation surplus for land use rights of approximately RMB15.56 million mainly due to the appreciation in land value in different valuation methods. We also note that there is a devaluation of buildings (including relevant structures, facilities and construction work) of approximately RMB5.21 million which is the result of updated market cost of the construction work. We have reviewed the methodology used in the valuation report and noted that the valuer has primarily adopted replacement cost method for assets such as machinery and buildings; and the base price of land coefficient modification method and cost approximation method for land use rights. Based on the above, we are satisfied that the methodology applied by the valuer is consistent with the market practice in the PRC in valuation of similar assets.

LETTER FROM GF CAPITAL

To conclude, we consider that the appraised net asset values of the Sanshi Group Companies are determined based on reasonable assumptions and calculations of the independent valuers. The considerations, which were determined in the auction by reference to the appraised net asset values of the Sanshi Group Companies, are fair and reasonable by comparison with the price-to-book ratios of the Comparable Companies.

We have not compared the price to earning ratios of the Sanshi Group Companies with the Comparable Companies as some of them were loss-making in the latest financial period. As discussed with the management of the Company, the Group's primarily interest in the Sanshi Group Companies is their existing production capacity instead of their past financial results. They expect that the Acquisition will enable the Group to increase its production capacity in the South East Region by over 10%. In addition, the management of the Company is of the view that the net losses of the Sanshi Group Companies in the past were primarily attributable to relatively low operation efficiency. They are confident that under the Group's management the profitability of the Sanshi Group Companies will improve and thus their past financial results have little value of reference. Further discussion on these issues are set out in the section "6. Reasons for the Acquisition" and "7. Financial effects of the Acquisition" below.

6. Reasons for the Acquisition

As disclosed in the Letter from the Board, the Directors believe that the Acquisition will enable the Group to further develop and expand its cement business in the South East Region. The proposed Acquisition is in line with the long term strategic development of the Company, helps facilitate the synergy among various cement companies of the Group and will increase the Company's cement and clinker production capacity and strengthen its competitive position in the cement market in the South East Region. As discussed with the management of the Company, the Company believes that it will be able to leverage on the synergies between the Group and the Sanshi Group Companies to increase production efficiencies and lower production costs. The Directors are also of the view that the Share Acquisition Agreements have been entered into on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Share Acquisition Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

As stated in the 2008 annual report of the Company, on top of continued reinforcement of and improvement in regional consolidation and restructuring, the Company would further promote management integration and pragmatic management in the cement business segment whilst further rationalizing its business layout to secure steady progress of its projects under construction.

LETTER FROM GF CAPITAL

As set out in the section headed “Information on the Sanshi Group Companies” in this letter, the Sanshi Group Companies engaged in the production and sale of clinker and cement in the PRC. We are of the view that the acquisition of the Sanshi Group Companies by the Group through South Cement aligns with the overall business strategy of the Group which is to gain a leading position in the cement segment by expanding its operation scale and market share and develop South Cement as its flagship company for the development of the cement segment in the South East Region. We also understand from the management of the Company that the government of the Zhejiang province does not encourage the building of new cement production line at present. Therefore in order to expand the production capacity as well as the market share of the Group in this area, acquisition of existing cement production lines is the most effective solution. As most of the Sanshi Group Companies are located in the Zhejiang province, the Acquisition is in line with the Group’s development plan in this area. Accordingly we concur with the view of the Directors that the Share Acquisition Agreements were entered into on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Share Acquisition Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

7. Financial effects of the Acquisition

The financial effects of the Acquisition on the Group are summarized as the following:

Earnings

After the Acquisition, Sanshi Hede, Sanshi Xiaopu, Tonglu Sanshi, Sanshi Cement and Fuyang Sanshi will be accounted for as subsidiaries of South Cement and Shaoxing Sanshi, Sanshi Jiaxing, Jiande Sanshi will remain as subsidiaries of South Cement. Their results will be consolidated with the results of the Company. Based on their audited results for the year ended 31 December 2008, half of them record net losses during the period. According to the management of the Company, the net losses were primarily attributable to relatively low operation efficiency. Accordingly, it appears that the Acquisition will have a negative impact on the consolidated financial performance of the Group. As discussed with the management of the Company, however, the Acquisition will be able to leverage on the synergies between the Group, and the Sanshi Group Companies which allow for potential savings from integration of procurement and supply chain management functions as well as leverage on the Group’s management and marketing expertise in the cement sector. We noted that a portion of the expenses of the Sanshi Group Companies, which attributable to the consolidated losses, were due to the operating and administrative expenses. We considered that these expenses could be reduced as a result of the potential cost savings after the completion of the Acquisition.

Liquidity and financial resources

According to the Share Acquisition Agreements, the consideration amounted to RMB750.00 million will be payable in cash. Based on the 2008 annual of the Company, the Group had cash and bank balances of approximately RMB3,726.25 million as at 31 December 2008 and thus the cash consideration payable by the Group would not cause immediate material adverse impact to the Group’s financial resources.

LETTER FROM GF CAPITAL

Based on the above analysis, it appears that the Acquisition will have a slightly negative impact on the financial performance of the Group. Having considered (i) the Company's plan to improve the profitability of the Sanshi Group Companies including the integration of procurement and supply chain management, as stated in the paragraph headed "Earnings" of this section; and (ii) the strategic benefits and synergies to be created by the acquisition which has been discussed in the paragraph headed "Reasons for the Acquisition" in this letter, we consider that the financial impact on the Group is acceptable.

CONCLUSIONS

In forming our opinion on the Acquisition, we have considered the principal factors and reasons discussed above, in particular, the following:

- (i) amid to the restructuring and consolidation of the cement industry in the PRC, a healthy growth of the cement industry benefiting from the rapid growth of fixed assets investment in the PRC is expected;
- (ii) the considerations, which were determined in the auction by reference to the appraised net asset values of the Sanshi Group Companies, are fair and reasonable by comparison with the price-to-book ratios of the Comparable Companies; and
- (iii) the Acquisition aligns with the development strategy of the Group which is to gain a leading position in the cement segment by expanding its operation scale and market share and develop South Cement as its flagship company for the development of the cement segment in the South East Region.

Having considered the above, we are of the view that the Share Acquisition Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Share Acquisition Agreements are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Shareholders; and (ii) the Shareholders to vote in favour of the resolution approving the Acquisition.

For and on behalf of
GF Capital (Hong Kong) Limited

Dino Ng

Managing Director and Co-Head of Corporate Finance

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTEREST

As at the Latest Practicable Date, as far as the Company is aware, none of the directors and supervisors of the Company 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 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 Divisions 7 and 8 of Part XV of the SFO or 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 the shares or debentures of the Company or any of its associated corporations.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any director or supervisor of the Company, as at the Latest Practicable Date, the persons (other than the directors and supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange 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 or had otherwise notified to the Company were as follows:

Name	Class of shares	Number of shares held	Approximate percentage in the relevant class of share capital ^{2,6} (%)	Approximate percentage in total share capital ^{2,6} (%)
Parent ¹	Domestic	1,211,360,900 ³	94.59	48.82
BNBMG ¹	Domestic	755,665,178 ³	59.01	30.46
CNBM Trading ¹	Domestic	115,834,375 ³	9.05	4.67
Cinda	Domestic	69,216,154 ³	5.41	2.79
JPMorgan Chase & Co.	H Shares	301,973,939 ³	25.15	12.17
	H Shares	700,000 ⁵	0.06	0.03
	H Shares	131,510,731 ⁴	10.95	5.30

GENERAL INFORMATION

Government of Singapore Investment Corporation Pte Ltd	H Shares	55,470,152 ³	4.62	2.24
Plowden Charles	H Shares	64,274,000 ³	5.35	2.59
Warden Alison	H Shares	64,274,000 ³	5.35	2.59
Atlantis Investment Management Ltd	H Shares	60,251,000 ³	5.02	2.43

Notes:

1. Of these 1,211,360,900 shares, 339,264,650 shares are directly held by Parent, the remaining 872,096,250 shares are deemed corporate interest indirectly held through BNBMG, CNBM Trading and China Building Materials Academy. CNBM Trading and China Building Materials Academy are wholly owned subsidiaries of Parent. BNBMG is a subsidiary of Parent which directly and indirectly holds 100% equity interests 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 (755,665,178 shares), CNBM Trading (115,834,375 shares) and China Building Materials Academy (596,697 shares).
2. As at the Latest Practicable Date, the Company's total issued share capital comprises 2,481,215,273 shares, including 1,280,577,054 Domestic Shares and 1,200,638,219 H Shares.
3. Long position.
4. Lending pool.
5. Short position.
6. All the above percentages are calculated by rounding to two decimal places.

Save as disclosed above, as at the Latest Practicable Date, 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.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors of the Company had a service contract with any member of the Group nor was there any proposed service contract which was not determinable within one year without payment of compensation (other than statutory compensation).

5. INTERESTS IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 December, 2008, the date to which the latest published audited accounts of the Group were made up.

GENERAL INFORMATION

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which any Director or supervisor of the Company is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors and their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Board is not aware of any material adverse change in the financial or trading position of the Company since 31 December, 2008, being the date of the latest published audited accounts of the Company.

7. EXPERT

Name	Qualifications
GF Capital	a licensed corporation to carry out Type 6 regulated activities under the SFO

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the from and context in which they appear.

As at the Latest Practicable Date, GF Capital was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December, 2008, being the date to which the latest published audited accounts of the Company, were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

None of the members of the Group was engaged in any litigation or arbitration or claims of material importance which is known to the directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

GENERAL INFORMATION

9. GENERAL

- (a) The joint company secretaries of the Company are Mr Chang Zhangli and Ms Lo Yee Har, Susan. Ms Lo is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Ms Pei Hongyan, a member of the Association of Chartered Certified Accountants.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The Company's registered office in PRC is at No. A-11 Sanlihe Road, Haidian District, Beijing, PRC.
- (e) The Company's place of business in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (f) The English text of this circular prevails over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 24 July 2009:

- (a) the memorandum and articles of association of the Company;
- (b) the 10 Share Acquisition Agreements;
- (c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on page 29 of this circular;
- (d) the letter from GF Capital to the Independent Board Committee and the Shareholders, the text of which is set out on pages 30 to 45 of this circular;
- (e) the consent letter issued by GF Capital as referred to in the paragraph headed "Expert" in this section; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CNBM

China National Building Material Company Limited*

中國建材股份有限公司

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

(Stock Code: 3323)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China National Building Material Company Limited (the “**Company**”) will be held at 10:00 a.m. on Monday, 24 August 2009 at No. A-11 Sanlihe Road, Haidian District, Beijing, the PRC.

The purpose of the EGM is to consider, and if thought fit, pass, with or without modifications, the following resolutions of the Company:

AS ORDINARY RESOLUTIONS

1. To consider, approve and ratify the 10 Share Acquisition Agreements entered into between the Company, Sanshi Group, Parent and Shanghai Lixin Zhongcheng Asset and Equity Management on 26 June 2009 relating to the acquisition of a further 45% equity interests in Sanshi Hede, further 38% equity interests in Shaoxing Sanshi, further 40% equity interests in Jiande Sanshi, further 49% equity interests in Tonglu Sanshi, further 46% equity interests in Sanshi Jiaxing, 38% equity interests in Sanshi Changxing, 67.46% equity interests in Sanshi Cement, 6.75% equity interests in Sanshi Wutong, 51% equity interests in Sanshi Xiaopu, and 44.8% equity interests in Fuyang Sanshi held by Sanshi Group.
2. Subject to the approval of the special resolution below, consider and approve the appointment of Mr Cui Xingtai as an executive director of the Company to hold office with effect from the date of the passing of this resolution until 30 June 2011.

* For identification only

NOTICE OF EXTRAORDINARY GENERAL MEETING

AS SPECIAL RESOLUTION

3. To consider and approve the amendment to the Articles of Association of the Company to reflect the increase in the number of directors:

“**THAT** the existing Articles of Association of the Company be amended as follows:

Existing Article 10.1

The Company shall establish a board of directors, which reports to the general meeting. The board of directors shall consist of *[12]* [Deleted] directors and shall have one chairman of the board and *[11]* [Deleted] directors, five of which being independent non-executive directors.

New Article 10.1

The Company shall establish a board of directors, which reports to the general meeting. The board of directors shall consist of 13 directors and shall have one chairman of the board and 12 directors, five of which being independent non-executive directors.”

On behalf of the Board

China National Building Material Company Limited

Song Zhiping

Chairman

Beijing, the PRC, 9 July 2009

Notes:

- (1) All resolutions at the meeting will be taken by poll as required under the Listing Rules through the chairman of the meeting demanding a poll and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (2) In order to determine the list of shareholders who are entitled to attend the EGM, the registers of members of the Company will be closed from Saturday, 25 July 2009 to Monday, 24 August 2009, both days inclusive, during which period no transfer of shares will be effected. Holders of the H Shares and the Domestic Shares whose names appear on the registers of members on Monday, 24 August 2009 are entitled to attend the EGM. In order to vote at the EGM, holders of the H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Tricor Investor Services Limited, at or before 4:30 p.m. on Friday, 24 July 2009.
- (3) A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies can only vote on a poll.
- (4) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of a shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (5) In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the H share registrar of the Company, Tricor Investor Services Limited, for holders of the H Shares not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (7) Shareholders who intend to attend the EGM in person or by proxy should return the reply slip, for information purposes, to the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and to the H share registrar of the Company, Tricor Investor Services Limited, for holders of the H Shares on or before Monday, 3 August 2009 by hand, by post or by fax.
- (8) The address and contact details of the H share registrar of the Company, Tricor Investor Services Limited, are as follows:
- 26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Telephone No.: (+852) 2980 1333
Facsimile No.: (+852) 2810 8185
- (9) The address and contact details of the Company's principal place of business in the PRC are as follows:
- No. A-11 Sanlihe Road
Haidan District
Beijing
People's Republic of China
Telephone No.: (+86) 10 8808 2366
Facsimile No.: (+86) 10 8808 2383
- (10) In accordance with the Company's Articles of Association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such share at the EGM, and this notice shall be deemed to be given to all joint holders of such share.
- (11) The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM are required to produce identity documents.