



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)

FRAMEWORK AGREEMENT BETWEEN CHINA NATIONAL BUILDING MATERIAL GROUP CORPORATION, ZHANG JIANXING AND ZHOU FEIJI

The Company has been notified by Parent, pursuant to the Non-Competition Agreement dated 28 February, 2006 entered into between Parent and the Company, of a potential business opportunity in relation to the acquisition of Hushan Group which is potentially in competition with the cement business of the Group. For the reasons stated in this announcement, the Company has decided to keep the opportunity under continuous review with a view to deciding whether to exercise the pre-emption rights granted under the Non-Competition Agreement to take up such opportunity in the future.

On 10 July, 2007, Parent, Zhang Jianxing and Zhou Feiji entered into the Framework Agreement pursuant to which Parent agreed to acquire at least 90% equity interest in Hushan Group upon completion of the reorganisation of Hushan Group. This Proposed Transaction is at a preliminary stage and the definitive implementation of the Proposed Transaction is subject to, amongst other things:

- (i) approvals from board of directors and shareholders of Hushan Group;
- (ii) provision of the auditors' report on Hushan Group and its subsidiaries for the period ended 28 February, 2007;
- (iii) provision of the asset valuation report on Hushan Group and its subsidiaries for the period ended 28 February, 2007;
- (iv) appointment of new directors, supervisors and senior management to Hushan Group by the new shareholders of Hushan Group;

- (v) approval of the Proposed Transaction by the relevant department of Parent; and
- (vi) amendment to Hushan Group's articles of association to reflect the change in equity holdings pursuant to the Proposed Transaction.

The Framework Agreement provides that entities controlled by or controlling Parent have the right to purchase the equity interest in Hushan Group prior to completion of the Proposed Transaction. Should the Company decide to proceed with the Business Opportunity, it would thus have the right to enter into a direct agreement with Zhang Jianxing and Zhou Feiji to acquire at least 90% equity interest in Hushan Group. However, in the event that it decides not to take up the Business Opportunity, Parent may then proceed with the Proposed Transaction.

Hence, the Proposed Transaction may or may not proceed and the Company may or may not take up the Business Opportunity to acquire at least 90% equity interest in Hushan Group. Therefore, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The Company will, if it decides to exercise its option under the Non-Competition Agreement to take up the Business Opportunity in the future, make further announcements and disclosures in relation to the Proposed Transaction as and when appropriate and as required under the Listing Rules.

THE NON-COMPETITION AGREEMENT

As disclosed in the Prospectus, the Company and Parent entered into the Non-Competition Agreement on 28 February, 2006, pursuant to which Parent has agreed not to, and to procure its subsidiaries (excluding the Group) not to, compete with the Group in the Group's core businesses (which include, amongst other things, the production and sale of cement products) in regions where the Group operates. Under the Non-Competition Agreement, Parent is required to notify the Company of any business opportunity which directly or indirectly competes, or may lead to competition, with the Company's core business in regions where it operates, and is obliged to procure that the business opportunity is first offered to the Company on no less favourable terms and conditions.

The Company confirms that, for the purposes of the Non-Competition Agreement, Parent has notified the Company of the potential Business Opportunity in relation to the acquisition of Hushan Group which is potentially in competition with the cement business of the Group after becoming aware of it.

As the Proposed Transaction is at a preliminary stage and the definitive implementation of the Proposed Transaction is subject to, amongst other things, the Conditions, the Company has decided to keep the opportunity under continuous review with a view to deciding whether to exercise the pre-emption rights granted under the Non-Competition Agreement to take up such opportunity in the future.

Further details of the Non-Competition Agreement are set out on pages 155 to 157 of the Prospectus.

FRAMEWORK AGREEMENT BETWEEN PARENT, ZHANG JIANXING AND ZHOU FEIJI

The Proposed Transaction

On 10 July, 2007, Parent, Zhang Jianxing and Zhou Feiji entered into the Framework Agreement in relation to the Proposed Transaction involving the development of regional cement business in the PRC.

Under the Framework Agreement, Parent agreed to acquire at least 90% equity interest in Hushan Group upon completion of the reorganisation of Hushan Group from Zhang Jianxing and Zhou Feiji.

Upon completion of the Proposed Transaction, Hushan Group will become a subsidiary of Parent.

The Framework Agreement (i) represents a consensus between Parent, Zhang Jianxing and Zhou Feiji in relation to the Proposed Transaction and (ii) provides a platform for Parent, Zhang Jianxing and Zhou Feiji to commence preparatory works in relation to the Proposed Transaction. The Proposed Transaction is at a preliminary stage and the definitive implementation of the Proposed Transaction is subject to, amongst other things, the following conditions (the “**Conditions**”):

- (i) approvals from board of directors and shareholders of Hushan Group;
- (ii) provision of the auditors’ report on Hushan Group and its subsidiaries for the period ended 28 February, 2007;
- (iii) provision of the asset valuation report on Hushan Group and its subsidiaries for the period ended 28 February, 2007;
- (iv) appointment of new directors, supervisors and senior management to Hushan Group by the new shareholders of Hushan Group;
- (v) approval of the Proposed Transaction by the relevant department of Parent; and
- (vi) amendment to Hushan Group’s articles of association to reflect the change in equity holdings pursuant to the Proposed Transaction.

The Framework Agreement provides that entities controlled by or controlling Parent have the right to purchase the equity interest in Hushan Group prior to completion of the Proposed Transaction. Should the Company decide to proceed with the Business Opportunity, it would thus have the right to enter into a direct agreement with Zhang Jianxing and Zhou Feiji to acquire at least 90% equity interest in Hushan Group. However, in the event that it decides not to take up the Business Opportunity, Parent may then proceed with the Proposed Transaction.

In view of the above, the Proposed Transaction may or may not proceed and the Company may or may not take up the Business Opportunity to acquire at least 90% equity interest in Hushan Group. Therefore, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INFORMATION ON HUSHAN GROUP

Hushan Group is engaged in the production and sale of cement in Zhejiang Province, PRC. Zhang Jianxing and Zhou Feiji will hold 100% equity interest in Hushan Group upon completion of its reorganisation. Hushan Group has three production lines with a daily clinker capacity of 2,500 tonnes each and two production lines with a daily clinker capacity of 1,000 tonnes each. Hushan Group also has a production line currently under construction which will have a daily clinker capacity of 4,000 tonnes upon completion.

To the best of the knowledge, information and belief of the Directors, Hushan Group, Zhang Jianxing and Zhou Feiji are third parties independent of the Company and any connected person (as defined in the Listing Rules) of the Company.

INFORMATION ON THE COMPANY

The Company is a leading building materials company in China with significant operations in the cement, lightweight building materials, glass fiber and fiberglass reinforced plastic products and engineering services business segments.

GENERAL

The Company will, if it decides to exercise its option under the Non-Competition Agreement to take up the Business Opportunity in the future, make further announcements and disclosures in relation to the Proposed Transaction as and when appropriate and as required under the Listing Rules.

DEFINITIONS

“Business Opportunity”	the opportunity to acquire Hushan Group under the Proposed Transaction
“Company”	中國建材股份有限公司 (China National Building Material Company Limited*), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company

“Framework Agreement”	the framework agreement dated 10 July, 2007 entered into between Parent, Zhang Jianxing and Zhou Feiji in relation to the Proposed Transaction
“Group”	the Company and, except where the context otherwise requires, all its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hushan Group”	浙江虎山集團有限責任公司 (Zhejiang Hushan Group Company Limited*), a limited liability company incorporated under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-Competition Agreement”	the non-competition agreement dated 28 February, 2006 entered into between the Company and Parent as referred to on pages 155 to 157 of the Prospectus
“Parent”	中國建築材料集團公司(China National Building Material Group Corporation*), a state-owned enterprise established under the laws of the PRC and a controlling shareholder of the Company
“Proposed Transaction”	the proposed acquisition of at least 90% equity interest in Hushan Group pursuant to the Framework Agreement for the purpose of developing regional cement business
“Prospectus”	the prospectus of the Company dated 13 March, 2006
“RMB”	Renminbi yuan, the lawful currency of the PRC
Zhang Jianxing	張劍星 (Zhang Jianxing*), a substantial shareholder (as defined in the Listing Rules) of Hushan Group
Zhou Feiji	周飛記 (Zhou Feiji*), a substantial shareholder (as defined in the Listing Rules) of Hushan Group

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

By Order of the Board
Chang Zhangli
Company Secretary

Beijing, PRC, 13 July, 2007

In this announcement, the English names of the companies which are established in the PRC are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

* *For identification only*