

## Chairman's Statement



To Shareholders,

I am pleased to present to all shareholders the results of the Group for the year ended 31 December 2005. On 23 March 2006, the Company was listed on the Main Board of the Stock Exchange with gratifying issuance performance. I would like to extend, on behalf of the board of directors and the staff of the Company, my gratitude to all shareholders for their favour, trust and support to us.

### REVIEW OF THE YEAR

Established on 28 March 2005, the Company is a leading PRC building materials company mainly engaged in the cement, lightweight building materials, glass fiber and FRP products and engineering services business segments. Focusing on its core businesses, the Group took initiatives in effective management and integration, as well as acquisition and reorganisation while undertaking new projects during the year. Hence, the sustainable development capability of the Company was strengthened with satisfying operating results achieved.

#### Fast-growing production capacity of cement segment

In 2005, through acquisition and establishment of new production lines, the Group's total production capacity of cement increased by 6.4 million tonnes to approximately 11.0 million tonnes. Thanks to scale expansion, the Group improved its profitability and strengthened its leading position in Huaihai Economic Zone.

#### Leading position of the lightweight building materials segment

Through the acquisition of 42% equity interests in Taihe, the Group became the largest gypsum board manufacturer in the PRC and its total production capacity of gypsum board reached 360.0 million square meters per annum. Based on its remarkable market share in the PRC high and middle end gypsum board market, the Group further optimized its nationwide market layout and significantly enhanced its leading position in the industry.

**SONG ZHIPING**  
Chairman

#### Consolidated leading position of the glass fiber and FRP products segment

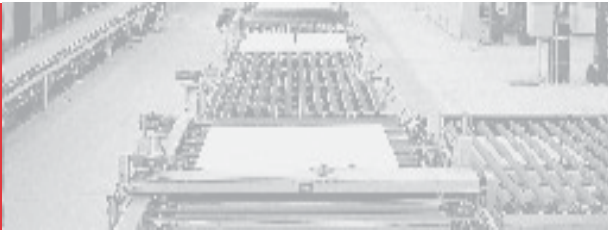
With the establishment of new glass fiber mats production lines, the Group became the largest glass fiber mats manufacturer in the PRC. China Fiberglass, an associate of the Company, commenced the operation of a new alkali-free direct-melt furnace production line in March 2006, which increased the production capacity of the Group's glass fiber business from 210,000 tonnes in 2005 to over 300,000 tonnes in 2006. This has further consolidated China Fiberglass' position as "Asia First" and "World Top 5".

#### Expedite globalization of the engineering services segment

In 2005, the Group's engineering services continued to expand and managed to achieve a leap progress from local operating mode to global presence, enhancing its leading position as a provider of engineering design and EPC (Engineering, Procurement and Construction) services in the glass industry in the PRC.

### RESULTS OF THE YEAR

The Group's consolidated revenue amounted to RMB4,726.5 million for 2005, representing an increase of 63.1% over last year. Profit attributable to equity holders of the Company amounted to RMB351.1 million, representing an increase of 81.8% over last year. Basic earnings per share amounted to RMB0.25, up 78.6% over last year.



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### PROSPECT AND OUTLOOK

In year 2006, the opening year for the "11th Five-Year" plan for its economy and social development, the PRC economy growth is expected to be around 8%. The PRC government's commitment to implementation of its scientific development theory and promotion of policies on construction of socialistic new countryside, cycle economy and conservation-minded society will, as a whole, bring about valuable opportunities for the Company's businesses of NSP cement, lightweight building materials, glass fiber and FRP products and engineering services. The listing of the H Shares will increase the Company's exposure to international investors and extend its financing avenues to international capital markets, paving a way to build the Company into a world-class building materials manufacturer. The Company expects that the levels of accountability and transparency to which the Company will be subject to after the Global offering will lead to improved corporate governance and increased investor confidence in the Company.

#### Cement segment

The Company will take initiatives to promote further expansion and acquisitions, with a view to expanding its business scale in Huaihai Economic Zone. Meanwhile, we aim to cut down costs through operation integration, centralized management and technology upgrading and synergy.

#### Lightweight building materials segment

We will exploit the synergy with Taihe to reinforce our leading market position. While developing new dry wall and ceiling systems for residential structure to expand our customer base, we will focus on major products to rationalize our product supply.

#### Glass fiber and FRP products segment

We aim to improve our product mix by further expanding production capacity and increasing sales of high value-added products.

#### Engineering services segment

We will strengthen technology innovation capability to maintain our leading position in the domestic market, and leverage on our low cost advantage to explore international business opportunities.

As a leading player in the PRC building materials industry, the Company attaches importance to both resources exploitation and resources conservation, to shoulder the historical mission of developing a conservation-minded building materials industry, the Group will focus on resources efficiency with emphasis on energy, water, materials and land saving, comprehensive utilization of resources and environmental protection, aiming at a conservational growth with low investment, low consumption, low discharge and high efficiency, with sense of responsibility and a strong commitment to leading the development of the building materials industry in the PRC.

Under the established guideline, the Company will build a set of corporate culture focusing on continuous improvement of our long-term enterprise value. The Company will align and satisfy the commercial interests of our management, employees and customers and the interests of the community in social well-being, environmental protection and resource conservation in order to achieve long-term and sustainable growth.

Finally, I wish to extend, on behalf of the board of directors of the Company, my gratitude to all shareholders, customers and business partners for their trust and support to us, and express my gratitude to the management and staff of the Company for their dedicated efforts and contribution in the previous year. The Company will continue to capitalize on opportunities to maximize the return to its shareholders.

Song Zhiping  
Chairman

Beijing, the PRC  
21 April 2006