

Chairman's Statement



SONG ZHIPING
Chairman
Executive Director

To Shareholders,

I am pleased to present to all shareholders the results of the Company for the year ended 31 December 2006.

REVIEW OF THE YEAR

On 23 March 2006, the Company was successfully listed on the Main Board of the Stock Exchange. 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. During the year since its listing, the Company strengthened its management of strategy, investment, capital and key indicators based on enhanced corporate governance, focusing on becoming a world-class building materials producer and performance excellence in order to provide shareholders with sound returns. As a result, the Company achieved a steady growth in business results. I would like to take this opportunity to express my heartfelt gratitude on behalf of the Board and the staff of the Company to all shareholders for their trust and support.

Cement segment

The cement segment recorded a steady growth in terms of operating results on a business scale, with improvements made in various areas such as capital operation, management fundamentals, financial management and project construction.

Lightweight building materials segment

With the integration of Taihe and Tianfeng, the lightweight building materials segment expanded nationwide with the construction of several national gypsum board industrial bases. Our remarkable progress in branding and marketing, together with adjustments in organization and business, laid a solid foundation enabling us to secure a leading position in the industry.

Glass fiber and FRP products segment

FRP products business

Profitability was improved steadily through enhancing cost control and production management, optimizing marketing strategies and pressing ahead with product development. The rotor blade business has also progressed steadily.

Glass fiber business

Direct-melt furnace production lines for alkali-free and mid-alkali glass fiber were put into operation in tandem and quickly met with our output, quality and technical parameters. We have also equipped our production line with sophisticated technology, thus achieving an annual capacity of 100,000 tonnes.

Engineering services segment

Thanks to our efforts in exploring overseas markets, we saw significant growth in relation to our international EPC business undertaken by the engineering services segment.

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RESULTS OF THE YEAR

The Group's consolidated revenue amounted to RMB6,451.8 million for 2006, representing an increase of 36.5% over last year. Profit attributable to equity holders of the Company amounted to RMB298.1 million, representing a decrease of 15.1% over last year (taking into account the loss from payment of consideration by the Company and China Composites under the share conversion schemes of BNBM, China Fiberglass and Yaopi). Excluding such losses, the profit attributable to equity holders of the Company would amount to RMB550.9 million, representing an increase of 56.9%.

PROSPECT AND OUTLOOK

Cement segment

The cement segment will tap into industry consolidation opportunities to engage in mergers and acquisitions at a steady pace, thus gaining a regional competitive edge.

While ensuring the completion of our projects under construction as scheduled, the Group will also coordinate the existing production capacity of clinker and grinding facilities as well as the auxiliary residual-heat power generation projects, and initiate new projects.

With an overall improvement in corporate management, the Group expects to bring all its cement products under the "China United" brand, by strengthening integration of human resources, finance, marketing, procurement, technology and corporate culture to cut down costs.

Lightweight building materials segment

Construction of production lines will be accelerated. By applying the principles of professionalism and synergising the business structure and operating management, we hope to increase our competitiveness and establish this segment as a market leader.

Glass fiber and FRP products segment

FRP products business

With regard to our glass fiber mats business, the Group will employ the principle of business integration in order to gradually enhance its competitiveness.

The Group will actively adjust the product mix of its FRP products in a bid to expand the scale of the rotor blade project and increase output of products such as large FRP containers and gas desulphurization equipment.

Glass fiber business

The Group will proceed with the 120,000-tonne alkali-free direct-melt furnace production line for glass fiber, aiming at completion by June 2007 in order to consolidate its leading position in the glass fiber business.

Engineering services segment

The Group will increase its investment in innovative technology to improve our core competitiveness and explore new international markets continuously and secure our EPC projects as scheduled in the contracts.

Song Zhiping
Chairman

Beijing, the PRC
16 April 2007



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