

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China National Materials Company Limited, you should at once hand this circular to the purchaser or transferee or to 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 the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

SINOMA

中國中材股份有限公司
China National Materials Company Limited

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

(Stock Code: 1893)

CONNECTED AND DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTERESTS
DEEMED DISPOSAL IN SINOMA INTERNATIONAL

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



China Everbright Capital Limited

A letter from the Board is set out on pages 6 to 31 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 32 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 47 of this circular.

A notice convening the EGM to be held at 2:00 p.m. on Tuesday, 16 December 2008 at Jinxiang Room, Empark Grand Hotel, Beijing, No. 69 Banjing Road, Haidian District, Beijing, the People's Republic of China, is set out on pages 131 to 133 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	33
APPENDIX I – VALUATION REPORT	48
APPENDIX II – REPORT FROM SHINEWING (HK) CPA LIMITED ON THE VALUATION REPORT	120
APPENDIX III – PRINCIPAL BASES AND ASSUMPTIONS OF THE SINOMA INTERNATIONAL ENLARGED GROUP PROFIT FORECAST	122
APPENDIX IV – REPORT FROM SHINEWING (HK) CPA LIMITED ON THE SINOMA INTERNATIONAL ENLARGED GROUP PROFIT FORECAST	123
APPENDIX V – LETTER FROM THE BOARD RELATING TO THE VALUATION REPORT AND THE SINOMA INTERNATIONAL ENLARGED GROUP PROFIT FORECAST	125
APPENDIX VI – GENERAL INFORMATION	126
NOTICE OF THE EXTRAORDINARY GENERAL MEETING	131

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“CBMI Construction”	CBMI Construction Co., Ltd (中材建設有限公司), a limited liability company established under the laws of the PRC
“CBMEC”	China National Building Material Equipment Co., Ltd (中國建材裝備有限公司), a limited liability company established under the laws of the PRC
“CEMTECK Changshu”	CEMTECK Changshu Heavy Machinery Co., Ltd (常熟仕名重型機械有限公司), a limited liability company established under the laws of the PRC
“CEMTECK Group”	CEMTECK Group Co., Ltd (中天仕名科技集團有限公司), a limited liability company established under the laws of the PRC
“CEMTECK Powder”	CEMTECK Powder Technology Machinery Co., Ltd (天津仕名粉體技術裝備有限公司), a limited liability company established under the laws of the PRC
“CEMTECK Zibo”	CEMTECK (Zibo) Machinery Co., Ltd (中天仕名(淄博)重型機械有限公司), a limited liability company established under the laws of the PRC
“Chengdu Design”	Chengdu Design and Research Institute of Building Materials Industry Co., Ltd (成都建築材料工業設計研究院有限公司), a limited liability company established under the laws of the PRC
“Company”	China National Materials Company Limited (中國中材股份有限公司), a joint stock limited company incorporated under the laws of the PRC on 31 July 2007, the H shares of which are listed on the Hong Kong Stock Exchange
“Compensation Agreement”	the Compensation Agreement dated 10 October 2008 and entered into between Sinoma International and Tianjin Zhongtian

DEFINITIONS

“Completion”	completion of the Equity Purchase Agreement pursuant to the terms and conditions therein
“Consideration Shares”	the 41,973,259 new A shares of par value of RMB1.00 each in the share capital of Sinoma International to be allotted and issued to Tianjin Zhongtian to satisfy the consideration payable by Sinoma International to Tianjin Zhongtian under the Equity Purchase Agreement and “Consideration Share” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at Jinxiang Room, Empark Grand Hotel, Beijing, No. 69 Banjing Road, Haidian District, Beijing, the People’s Republic of China at 2:00 p.m. on Tuesday, 16 December 2008 to consider and approve the transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement
“Equity Interests”	has the meaning ascribed to it in the section headed “Equity Interests to be acquired” of this circular
“Equity Purchase Agreement”	the Private Shares Placement and Assets Purchase Agreement dated 10 October 2008 entered into between Sinoma International and Tianjin Zhongtian
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors namely Mr. Yang Yuzhong, Mr. Zhang Lailiang, Mr. Zhang Qiusheng and Mr. Leung Chong Shun

DEFINITIONS

“Independent Financial Adviser”	China Everbright Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement under the Hong Kong Listing Rules
“Jiangsu Sinoma”	Jiangsu Sinoma Cement Technology Equipment Co., Ltd (江蘇中材水泥技術裝備有限公司), a limited liability company established under the laws of the PRC
“Latest Practicable Date”	Monday, 27 October 2008, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein
“Parent”	China National Materials Group Corporation (中國中材集團公司), state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purposes of this circular only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Accountants”	Reanda Certified Public Accountants Co., Ltd., a firm of certified public accountants qualified in the PRC
“PRC Valuer”	Beijing Pan-China Assets Appraisal Co., Ltd., a firm of valuer qualified in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholders”	the shareholders of the Company

DEFINITIONS

“Sinoma Handan”	Sinoma (Handan) Construction Co., Ltd (邯鄲中材建設有限公司), a limited liability company established under the laws of the PRC
“Sinoma International”	Sinoma International Engineering Co., Ltd (中國中材國際工程股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange
“Sinoma International Group”	Sinoma International and its subsidiaries
“Sinoma International Enlarged Group”	the Sinoma International Group as enlarged by, or taking into account the impact of, the acquisition of the Equity Interests in the Target Companies pursuant to the Equity Purchase Agreement
“Sinoma International Enlarged Group Profit Forecast”	the profit forecast of the Sinoma International Enlarged Group for the two years ending 31 December 2008 and 2009, respectively, prepared by the PRC Accountants in accordance with PRC accounting standards
“Sinoma Suzhou”	Sinoma (Suzhou) Construction Co., Ltd (蘇州中材建設有限公司), a limited liability company established under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Target Companies”	collectively Tangshan Sinoma, CBMI Construction, CEMTECK Changshu, CEMTECK Zibo, CEMTECK Group, Jiangsu Sinoma, CEMTECK Powder, Tianjin Shiming, Tianjin Yierxin, TCDRI, CBMEC, Chengdu Design, Sinoma Handan and Sinoma Suzhou
“TCDRI”	TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd (天津水泥設計研究院有限公司), a limited liability company established under the laws of the PRC
“Tianjin Shiming”	Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd (天津仕名機電備件有限公司), a limited liability company established under the laws of the PRC

DEFINITIONS

“Tianjin Yierxin”	Tianjin Electricity & Automation Control Engineering Co., Ltd (天津益爾信控制工程有限公司), a limited liability company established under the laws of the PRC
“Tianjin Zhongtian”	Tianjin Zhongtian Technology Development Co., Ltd (天津中天科技發展有限公司), a limited liability company established under the laws of the PRC
“Tangshan Sinoma”	Tangshan Sinoma Heavy Machinery Co., Ltd (唐山中材重型機械有限公司), a limited liability company established under the laws of the PRC
“Valuation Date”	31 August 2008, being the assessment date adopted by the PRC Valuer in the Valuation Report
“Valuation Report”	the valuation report prepared by the PRC Valuer in relation to the value of the Equity Interests as at the Valuation Date

For the purpose of illustration only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1: HK\$1.128.



中國中材股份有限公司
China National Materials Company Limited

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

(Stock Code: 1893)

Executive Directors:

TAN Zhongming
YU Shiliang

Non-executive Directors:

LIU Zhijiang
ZHOU Yuxian
CHEN Xiaozhou

Independent non-executive Directors:

YANG Yuzhong
ZHANG Lailiang
ZHANG Qiusheng
LEUNG Chong Shun

Registered office:

11 Beishuicheng Street
Xizhimennei
Xicheng District
Beijing 100035
People's Republic of China

31 October 2008

To the Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTERESTS
DEEMED DISPOSAL IN SINOMA INTERNATIONAL**

INTRODUCTION

Reference is made to the announcement made by the Company on 10 October 2008.

On 10 October 2008, Sinoma International, a subsidiary of the Company, entered into:

- (1) the Equity Purchase Agreement with Tianjin Zhongtian, pursuant to which, Sinoma International has agreed to purchase and Tianjin Zhongtian has agreed to sell certain equity interests in the Target Companies; and

LETTER FROM THE BOARD

- (2) the Compensation Agreement with Tianjin Zhongtian, pursuant to which, Tianjin Zhongtian has agreed to compensate Sinoma International in the event that the net profit attributable to the Equity Interests for the three years ending 31 December 2009, 2010 or 2011 do not reach certain agreed milestones.

Discloseable transaction

The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute an acquisition under Chapter 14 of the Hong Kong Listing Rules and the dilution of the Company's shareholding interest in Sinoma International as a result of the issuance of Consideration Shares will constitute a deemed disposal by the Company under Chapter 14 of the Hong Kong Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules.

Connected transaction

Tianjin Zhongtian is a substantial shareholder of certain Target Companies, all of which are subsidiaries of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute connected transactions of the Company. The Equity Purchase Agreement and the Compensation Agreement are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The purpose of this circular is to provide you with (i) further information in relation to the Equity Purchase Agreement and the Compensation Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM.

LETTER FROM THE BOARD

THE EQUITY PURCHASE AGREEMENT

The major terms of the Equity Purchase Agreement are as follows:

Date

10 October 2008

Parties

Purchaser: Sinoma International

Vendor: Tianjin Zhongtian

Equity Interests to be acquired

Subject to the terms and conditions of the Equity Purchase Agreement, Sinoma International has conditionally agreed to acquire from Tianjin Zhongtian the following equity interests (the "Equity Interests") free from charges, encumbrances and third party rights:

- (1) 45% equity interest in Tangshan Sinoma;
- (2) 23.42% equity interest in CBMI Construction;
- (3) 50% equity interest in CEMTECK Changshu;
- (4) 35% equity interest in CEMTECK Zibo;
- (5) 45% equity interest in CEMTECK Group;
- (6) 45% equity interest in Jiangsu Sinoma;
- (7) 20% equity interest in CEMTECK Powder;
- (8) 45% equity interest in Tianjin Shiming;
- (9) 5% equity interest in Tianjin Yierxin;
- (10) 7% equity interest in TCDRI;
- (11) 35% equity interest in CBMEC;
- (12) 46.875% equity interest in Chengdu Design;
- (13) 17.57% equity interest in Sinoma Handan; and
- (14) 18.09% equity interest in Sinoma Suzhou.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the acquisition of the Equity Interests is RMB1,946,300,000, which shall be satisfied by the issue and allotment of the Consideration Shares by Sinoma International at an issue price of RMB46.37 per Consideration Share to Tianjin Zhongtian at Completion. Pursuant to the Equity Purchase Agreement, the Consideration Shares are subject to a lock-up period of 36 months from the date of issuance of all the Consideration Shares and Tianjin Zhongtian shall not sell or otherwise dispose of the Consideration Shares during such period.

The Consideration Shares represent approximately 24.98% of the existing issued share capital of Sinoma International and approximately 19.99% of the issued share capital of Sinoma International as enlarged by issuance of the Consideration Shares. Sinoma International is currently owned as to 53.31% by the Company. Upon Completion, Sinoma International will be owned as to 42.65% by the Company and will continue to be a subsidiary of the Company.

The consideration was determined by Sinoma International and Tianjin Zhongtian after arm's length negotiations by taking into account, among other factors, the appraised value of the Equity Interests of RMB1,946,308,400 as at the Valuation Date. Such appraisal was prepared by the PRC Valuer, an independent firm of valuer qualified in the PRC, based on discounted cash flow approach and market comparison approach. The full text of the Valuation Report is contained in Appendix I.

Such valuation is regarded as a profit forecast of the Target Companies under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The reporting accountants of the Company, SHINEWING (HK) CPA Limited, have confirmed that they have reviewed the accounting policies and calculations for the forecast contained in the Valuation Report. A report from SHINEWING (HK) CPA Limited related to such forecast is contained in Appendix II. The Directors have also confirmed that the profit forecast has been made after due and careful enquiry. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the PRC Valuer is a third party independent of the Group and its connected persons.

LETTER FROM THE BOARD

Conditions precedent

The Equity Purchase Agreement is conditional upon, among other things:

- (1) the passing of resolutions by the shareholders of Sinoma International approving, at an extraordinary general meeting, the Equity Purchase Agreement and the transactions contemplated under the Equity Purchase Agreement;
- (2) the Parent accepting registration of the Valuation Report;
- (3) the passing of resolutions by way of poll by the Independent Shareholders of the Company approving, at an extraordinary general meeting, the Equity Purchase Agreement and the transactions contemplated under the Equity Purchase Agreement; and
- (4) China Securities Regulatory Commission approving the transactions contemplated under the Equity Purchase Agreement.

Completion

The above conditions cannot be waived by the parties to the Equity Purchase Agreement. Pursuant to the Equity Purchase Agreement, Completion shall take place within three months from the date of satisfaction of the above conditions.

THE COMPENSATION AGREEMENT

The major terms of the Compensation Agreement are as follows:

Date

10 October 2008

Parties

Purchaser: Sinoma International

Vendor: Tianjin Zhongtian

LETTER FROM THE BOARD

Compensation

Pursuant to the Compensation Agreement:

- (1) Sinoma International and Tianjin Zhongtian have, through consultations, agreed that the net profit attributable to the Equity Interests for the three years ending 31 December 2009, 2010 and 2011 shall not be less than RMB222,670,200, RMB249,116,800 and RMB289,948,000, respectively; and
- (2) in the event that the audited net profit attributable to the Equity Interests for any of the three years ending 31 December 2009, 2010 and 2011 is less than (as relevant) RMB222,670,200, RMB249,116,800 and RMB289,948,000, respectively, or that there is an audited net loss attributable to the Equity Interests, Tianjin Zhongtian has agreed to pay Sinoma International the shortfall in cash within 30 days from the date the shareholders of Sinoma International approving, at an annual general meeting, the annual report of Sinoma International.

HONG KONG LISTING RULES IMPLICATIONS

Discloseable transaction

The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute an acquisition under Chapter 14 of the Hong Kong Listing Rules and the dilution of the Company's shareholding interest in Sinoma International as a result of the issuance of Consideration Shares will constitute a deemed disposal by the Company under Chapter 14 of the Hong Kong Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but are less than 25%, the transactions contemplated under Equity Purchase Agreement and the Compensation Agreement constitute a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules.

Connected transaction

Tianjin Zhongtian is a substantial shareholder of certain Target Companies, all of which are subsidiaries of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute connected transactions of the Company. The Equity Purchase Agreement and the Compensation Agreement are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

Aggregation

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between any member of the Group and Tianjin Zhongtian within a 12 months period from the date of this circular or otherwise related, which would be, together with transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement, regarded as a series of transactions and treated as if they are one transaction under Rules 14A.25 of the Hong Kong Listing Rules.

REASONS FOR ENTERING INTO THE EQUITY PURCHASE AGREEMENT AND THE COMPENSATION AGREEMENT

The Directors consider that the terms of and the transactions contemplated (including the acquisition of Equity Interests and the deemed disposal of Sinoma International by the Company) under the Equity Purchase Agreement and the Compensation Agreement are fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole as the transactions under the Equity Purchase Agreement and the Compensation Agreement will enhance the control of Sinoma International on the Target Companies, all of which are subsidiaries of the Company, and will generate higher returns when the Target Companies attain profits in the future.

INFORMATION ON THE PARTIES

The Group

The Group is a leading provider of cement equipment and engineering services in the world. The Group is also a leading producer of non-metal materials in the PRC with significant market share for glass fiber and high-tech materials as well as for cement in selected regional markets.

The Group is the only group in the PRC non-metal materials industry with a business model that integrates research and development, industrial design, engineering and construction services and production, according to the China Building Materials Industrial Association.

The Group is a leading technology provider in the PRC non-metal materials industry with five core technologies, namely glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, all of which are recognized as leading technologies in the PRC.

LETTER FROM THE BOARD

Sinoma International

Business

Sinoma International, a subsidiary of the Company, is a joint stock limited company incorporated under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange.

Sinoma International is principally engaged in the design of cement projects and the manufacture, installation and maintenance of cement equipment.

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Net asset value of Sinoma International	1,596,137,643		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Sinoma International before taxation and extraordinary items	484,319,894	598,022,279	450,893,882
Audited net profit of Sinoma International after taxation and extraordinary items	359,911,690	408,289,695	331,389,870

Profit forecast

In compliance with the relevant PRC laws and regulations and pursuant to the requirements of the China Securities Regulatory Commission and the Shanghai Stock Exchange, Sinoma International has prepared and published on the website of the Shanghai Stock Exchange the Sinoma International Enlarged Group Profit Forecast.

LETTER FROM THE BOARD

Pursuant to the Sinoma International Enlarged Group Profit Forecast, on the assumption that the acquisition of the Equity Interests under the Equity Purchase Agreement had been completed on 31 August 2008 and in the absence of unforeseen circumstances, the pro forma forecast net profit (after taxation and extraordinary items) of the Sinoma International Enlarged Group for the two years ending 31 December 2008 and 2009 is approximately RMB504,165,100 (equivalent to approximately HK\$568,698,233) and approximately RMB613,574,300 (equivalent to approximately HK\$692,111,810), respectively.

The Sinoma International Enlarged Group Profit Forecast is regarded as a profit forecast under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal bases and assumptions of the Sinoma International Enlarged Group Profit Forecast are set out in Appendix III. The reporting accountants of the Company, SHINEWING (HK) CPA Limited, have confirmed that they have reviewed the accounting policies and calculations for the forecast contained in the Sinoma International Enlarged Group Profit Forecast. A report from SHINEWING (HK) CPA Limited related to such forecast is contained in Appendix IV. The Directors have also confirmed that the profit forecast has been made after due and carefully enquiry.

Tianjin Zhongtian

Tianjin Zhongtian is a limited liability company established under the laws of the PRC and is a substantial shareholder of certain Target Companies, all of which are subsidiaries of the Company.

Tianjin Zhongtian is principally engaged in investment in advance technology and new material and development of advance technology.

Tangshan Sinoma

Business

Tangshan Sinoma is a limited liability company established under the laws of the PRC and is currently owned as to 55% and 45% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in the manufacture and sale of environmental construction material and transportation equipment and related technology development, transfer and services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Tangshan Sinoma	61,323,106		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Tangshan Sinoma before taxation and extraordinary items	16,602,880	24,635,196	15,500,025
Audited net profit of Tangshan Sinoma after taxation and extraordinary items	11,028,987	16,399,988	11,511,801

CBMI Construction

Business

CBMI Construction is a limited liability company established under the laws of the PRC and is currently owned as to 76.58% and 23.42% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in construction contracting, mechanical and electrical equipment instalment contracting, weight-lifting equipment instalment, corrosion prevention and heat preservation project contracting, manufacture and sale of smelting equipment, pressure vessel, steel structuring and net structuring.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of CBMI Construction	189,458,311		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of CBMI Construction before taxation and extraordinary items	72,758,767	112,221,341	106,894,147
Audited net profit of CBMI Construction after taxation and extraordinary items	44,798,576	79,099,821	81,936,721

CEMTECK Changshu

Business

CEMTECK Changshu is a limited liability company established under the laws of the PRC and is currently owned as to 50% and 50% by CEMTECK Group and Tianjin Zhongtian, respectively. It is principally engaged in research, development and manufacture of large-scale crushing equipment, feeding equipment and other related cement manufacturing equipment.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net asset value of CEMTECK Changshu			44,200,632
Audited net profit of CEMTECK Changshu before taxation and extraordinary items	13,634,316	13,139,451	9,649,319
Audited net profit of CEMTECK Changshu after taxation and extraordinary items	9,136,983	8,193,081	7,362,759

CEMTECK Zibo

Business

CEMTECK Zibo is a limited liability company established under the laws of the PRC and is currently owned as to 65% and 35% by CEMTECK Group and Tianjin Zhongtian, respectively. It is principally engaged in the design, manufacture and sale of cement mechanical, water-coal mixture, chemical engineering, non-metallic ore and electrical appliances control equipment and the provision of related consultancy services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of CEMTECK Zibo	70,129,822		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of CEMTECK Zibo before taxation and extraordinary items	14,994,017	11,941,639	(5,817,141)
Audited net profit of CEMTECK Zibo after taxation and extraordinary items	14,994,250	10,464,044	(4,758,856)

CEMTECK Group

Business

CEMTECK Group is a limited liability company established under the laws of the PRC and is currently owned as to 55% and 45% by TCDRI and Tianjin Zhongtian, respectively. It is principally engaged in manufacture, instalment and sale of mechanical equipment, development and application of environmental protection technology and equipment and providing related consultancy services and the manufacture and sale of electricity allocation switch equipment.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of CEMTECK Group	300,474,089		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of CEMTECK Group before taxation and extraordinary items	98,802,856	179,327,440	117,628,899
Audited net profit of CEMTECK Group after taxation and extraordinary items	79,112,191	137,700,968	97,014,589

Jiangsu Sinoma

Business

Jiangsu Sinoma is a limited liability company established under the laws of the PRC and is currently owned as to 55% and 45% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in the research and development, sale and instalment of cement mechanical and automatic control equipment and provision of related technical consultancy services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Jiangsu Sinoma			110,976,165
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Jiangsu Sinoma before taxation and extraordinary items	– <i>(Note)</i>	14,368,570	23,608,886
Audited net profit of Jiangsu Sinoma after taxation and extraordinary items	– <i>(Note)</i>	9,296,148	16,396,550

Note: Jiangsu Sinoma was established in July 2007

CEMTECK Powder

Business

CEMTECK Powder is a limited liability company established under the laws of the PRC and is currently owned as to 80% and 20% by CEMTECK Group and Tianjin Zhongtian, respectively. It is principally engaged in research and development, manufacture and sale of powder set equipment and parts and the provision of consultancy services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit before and after taxation and extraordinary items for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of CEMTECK Powder	21,627,575		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of CEMTECK Powder before taxation and extraordinary items	3,441,971	16,319,196	23,297,024
Audited net profit of CEMTECK Powder after taxation and extraordinary items	2,999,897	10,913,741	17,433,985

Tianjin Shiming

Business

Tianjin Shiming is a limited liability company established under the laws of the PRC and is currently owned as to 55% and 45% by CEMTECK Group and Tianjin Zhongtian, respectively. It is principally engaged in the sale of construction material, metallurgy, chemical engineering, electrical mechanical, environmental protection, electricity and gas automatic control equipment and the provision of related consultancy services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Tianjin Shiming			16,564,988
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Tianjin Shiming before taxation and extraordinary items	(153,857)	6,909,983	8,257,759
Audited net profit of Tianjin Shiming after taxation and extraordinary items	(152,616)	4,617,864	6,103,202

Tianjin Yierxin

Business

Tianjin Yierxin is a limited liability company established under the laws of the PRC and is currently owned as to 95% and 5% by CEMTECK Group and Tianjin Zhongtian, respectively. It is principally engaged in manufacture and sale of electricity and gas automatic control equipment, electrical parts and computer external equipment, research and development and provision of technology and computerized control system consultancy.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Tianjin Yierxin	20,964,982		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Tianjin Yierxin before taxation and extraordinary items	11,569,651	16,756,778	21,000,607
Audited net profit of Tianjin Yierxin after taxation and extraordinary items	7,738,682	10,567,528	15,826,867

TCDRI

Business

TCDRI is a limited liability company established under the laws of the PRC and is currently owned as to 93% and 7% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in the design and development of cement project, equipment manufacturing, and design of cement raw material ore, heat electricity production cement station projects.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of TCDRI	543,996,032		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of TCDRI before taxation and extraordinary items	172,278,160	254,367,620	184,552,139
Audited net profit of TCDRI after taxation and extraordinary items	134,611,550	186,515,124	145,837,682

CBMEC

Business

CBMEC is a limited liability company established under the laws of the PRC and is currently owned as to 65% and 35% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in the supply and sale of construction material and mechanical set, international, local and external project contracting, research and development, and provision of combined services in relation to cement production line.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of CBMEC	77,853,235		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of CBMEC before taxation and extraordinary items	49,768,042	38,155,744	39,862,113
Audited net profit of CBMEC after taxation and extraordinary items	42,281,772	32,488,160	30,129,421

Chengdu Design

Business

Chengdu Design is a limited liability company established under the laws of the PRC and is currently owned as to 53.125% and 46.875% by Sinoma International and Tianjin Zhongtian, respectively. It is principally engaged in project contracting, technology research and development, project design, equipment manufacturing, technology consultation, and the provision of project supervision and technological services.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Chengdu Design	122,090,919		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Chengdu Design before taxation and extraordinary items	63,550,870	55,094,974	52,285,873
Audited net profit of Chengdu Design after taxation and extraordinary items	54,709,404	43,879,708	42,619,686

Sinoma Handan

Business

Sinoma Handan is a limited liability company established under the laws of the PRC and is currently owned as to 82.43% and 17.57% by CBMI Construction and Tianjin Zhongtian, respectively. It is principally engaged in smelting project contracting, equipment installation, manufacture, sale and installation of construction material and equipment, weight-lifting equipment, net structures and steel structures.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net asset value of Sinoma Handan			47,984,126
Audited net profit of Sinoma Handan before taxation and extraordinary items	19,994,907	33,202,159	34,201,443
Audited net profit of Sinoma Handan after taxation and extraordinary items	13,184,105	21,975,778	25,222,344

Sinoma Suzhou

Business

Sinoma Suzhou is a limited liability company established under the laws of the PRC and is currently owned as to 44.49%, 37.42% and 18.09% by Sinoma International, CBMI Construction and Tianjin Zhongtian, respectively. It is principally engaged in medium to large NSP cement production line contracting, manufacture and installation of construction material equipment, cement factory and related heat electricity power projects.

LETTER FROM THE BOARD

Financial information

The following table sets out the audited net asset value as at 31 August 2008 and the audited net profit (before and after taxation and extraordinary items) for the two financial years ended 31 December 2006 and 2007 and the eight months ended 31 August 2008, respectively, according to PRC accounting standards:

	As at 31 August 2008 (RMB)		
Audited net asset value of Sinoma Suzhou	85,403,960		
	For the year ended 31 December 2006 (RMB)	For the year ended 31 December 2007 (RMB)	For the eight months ended 31 August 2008 (RMB)
Audited net profit of Sinoma Suzhou before taxation and extraordinary items	28,869,387	40,578,539	35,607,266
Audited net profit of Sinoma Suzhou after taxation and extraordinary items	19,638,986	26,076,021	26,011,403

FINANCIAL EFFECT OF THE ACQUISITION OF THE EQUITY INTERESTS

As at the date of this circular, all the Target Companies are subsidiaries of the Company with their financial results being consolidated into the consolidated accounts of the Group. After completion of the Equity Purchase Agreement, all the Target Companies will continue to be subsidiaries of the Company, and the assets and liabilities and the financial results of the Target Companies will continue to be consolidated into the consolidated accounts of the Group.

The shareholdings of the Group in Sinoma International and the Target Companies before and after completion of the Equity Purchase Agreement are as follows:

	Percentage shareholding held by the Company before completion	Percentage shareholding held by the Company after completion
Sinoma International	53.31%	42.65%

LETTER FROM THE BOARD

	Percentage shareholding directly or indirectly held by Sinoma International before completion	Percentage shareholding directly or indirectly held by Sinoma International after completion
Tangshan Sinoma	55%	100%
CMBI Construction	76.58%	100%
CEMTECK Changshu	50%	100%
CEMTECK Zibo	65%	100%
CEMTECK Group	55%	100%
Jiangsu Sinoma	55%	100%
CEMTECK Powder	80%	100%
Tianjin Shiming	55%	100%
Tianjin Yierxin	95%	100%
TCDRI	93%	100%
CBMEC	65%	100%
Chengdu Design	53.125%	100%
Sinoma Handan	82.43%	100%
Sinoma Suzhou	81.91%	100%

The Company is of the view that the acquisition of the Equity Interests pursuant to the Equity Purchase Agreement will not have any impact on the assets and liabilities of the Group but it is expected that it will have a positive effect on the earnings of the Group.

Immediately after the Completion, (i) the shareholding interest of the Company in Sinoma International will decrease from approximately 53.31% to 42.65% of the issued share capital of Sinoma International as enlarged by the Consideration Shares; (ii) such dilution will constitute a deemed disposal by the Company under Chapter 14 of the Hong Kong Listing Rules; and (iii) the share of net assets and liabilities and the financial results of Sinoma International in the consolidated financial statements of the Company will decrease accordingly. Based on the audited consolidated net asset value attributable to equity holders and unaudited consolidated net asset value attributable to equity holders (as set out under the proforma financial information of Sinoma International as enlarged by the acquisition of the Equity Interests) as at 31 August 2008 of Sinoma International in the amount of approximately RMB1,123,081,557 (equivalent to approximately HK\$1,266,835,996) and RMB1,525,096,110 (equivalent to approximately HK\$1,720,308,412), respectively, the deemed disposal of approximately 10.66% shareholding interest in Sinoma International by the Company upon the Completion would give rise to an estimated gain for the Company in the amount of approximately RMB51,738,713 (equivalent to approximately HK\$58,361,268), representing the difference between (i) the Company's 53.31% share in the audited consolidated net asset value as at 31 August 2008 of Sinoma International; and (ii) the Company's 42.65% share of the unaudited consolidated net asset value (as set out under the proforma financial information of Sinoma International as enlarged by the acquisition of the Equity Interests) as at 31 August 2008 of Sinoma International, which will be recorded as an increase of shareholders' equity.

LETTER FROM THE BOARD

The EGM will be held for the purpose of considering and approving by the independent Shareholders the Equity Purchase Agreement, the Compensation Agreement and the transactions contemplated therein. Votes for the resolution(s) at the EGM shall be taken by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is not any connected person of the Company nor Shareholder and their respective associates with a material interest in the transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement, is required to abstain from voting at the EGM.

A notice convening the EGM is set out on pages 131 to 133 of this circular. The EGM will be held on Tuesday, 16 December 2008 at which resolutions will be proposed to approve the Equity Purchase Agreement, the Compensation Agreement and the transactions contemplated therein. The EGM will be held at 2:00 p.m. on Tuesday, 16 December 2008 at Jinxiang Room, Empark Grand Hotel, Beijing, No. 69 Banjing Road, Haidian District, Beijing, the People's Republic of China. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or an adjournment thereof should you so desire.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that the terms of and the transactions contemplated (including the acquisition of Equity Interests and the deemed disposal of Sinoma International by the Company) under the Equity Purchase Agreement and the Compensation Agreement are fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of all resolutions to be proposed at the EGM.

As mention above, China Everbright Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Purchase Agreement, the Compensation Agreement and the transactions contemplated therein. Having considered the advices given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advices, the Independent Board Committee is of the opinion that the terms of and the transactions contemplated (including the acquisition of Equity Interests and the deemed disposal of Sinoma International by the Company) under the Equity Purchase Agreement and the

LETTER FROM THE BOARD

Compensation Agreement are fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Your attention is also drawn to the letter from the Independent Board Committee set out in page 32, the letter from the Independent Financial Adviser set out in pages 33 to 47 and the other information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
China National Materials Company Limited
Tan Zhongming
Chairman of the Board

Sinoma

中國中材股份有限公司
China National Materials Company Limited

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

(Stock Code: 1893)

31 October 2008

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTERESTS
DEEMED DISPOSAL OF SINOMA INTERNATIONAL**

We refer to the circular of the Company dated 31 October 2008 (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, terms of and the transactions contemplated (including the acquisition of Equity Interests and the deemed disposal of Sinoma International by the Company) under the Equity Purchase Agreement and the Compensation Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Equity Purchase Agreement and the Compensation Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 33 to 47 of this Circular, we are of the opinion that the terms of the Equity Purchase Agreement and the Compensation Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders and the Company as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Purchase Agreement, the Compensation Agreement and the transactions contemplated therein.

Yours faithfully,
For and on behalf of
the Independent Board Committee

YANG Yuzhong
ZHANG Qiusheng

ZHANG Lailiang
LEUNG Chong Shun

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



31 October 2008

*To the Independent Board Committee and
the Independent Shareholders:*

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTERESTS

We have been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the acquisition of the Equity Interests (the “**Acquisition**”) from Tianjin Zhongtian at a consideration (the “**Consideration**”) of RMB1,946,300,000 which shall be satisfied by the issue and allotment of Consideration Shares by Sinoma International at an issue price (the “**Issue Price**”) of RMB46.37 per Consideration Share to Tianjin Zhongtian is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole. The details of the Acquisition are set out in the Letter from the Board in the circular to the Shareholders dated 31 October 2008 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute discloseable transactions for the Company under the Hong Kong Listing Rules. As Tianjin Zhongtian is a substantial shareholder of certain Target Companies, all of which are subsidiaries of the Company, Tianjin Zhongtian is a connected person of the Company under the Hong Kong Listing Rules. The transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement constitute connected transactions of the Company. As a result, the Equity Purchase Agreement and the Compensation Agreement are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14 and 14A of the Hong Kong Listing Rules.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information, opinions and representations provided to us by the Directors and management (the “**Management**”) of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the Directors and the Management for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby China Everbright will receive any benefits from the Company, Tianjin Zhongtian or any of their respective associates. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group and the Target Companies.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Acquisition, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

1. Background of and reasons for the Acquisition

The Company is the largest cement equipment and engineering services provider in the world as well as a leading producer of non-metal materials in the PRC. It is principally engaging in four business segments comprising cement equipment and engineering services, glass fiber, cement and high-tech materials, and is currently the only enterprise in the PRC non-metal materials industry with an integrated business model covering research and development, industrial design, equipment manufacturing, engineering and construction services, and production.

Sinoma International (a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date) is a joint stock limited company incorporated under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange. Sinoma International is mainly engaged in the design of cement projects and the manufacture, installation and maintenance of cement equipment. As at Latest Practicable Date, the Company was interested in approximately 53.31% of total issued share capital of Sinoma International.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board announced that on 10 October 2008, Sinoma International entered into (i) the Equity Purchase Agreement with Tianjin Zhongtian, pursuant to which Sinoma International has agreed to purchase and Tianjin Zhongtian has agreed to sell certain equity interests in the Target Companies; and (ii) the Compensation Agreement with Tianjin Zhongtian, pursuant to which Tianjin Zhongtian has agreed to compensate Sinoma International in the event that the net profit attributable to the Equity Interests for the three years ending 31 December 2009, 2010 or 2011 do not reach certain agreed milestones. Under the Equity Purchase Agreement, the Consideration payable by Sinoma International to Tianjin Zhongtian is RMB1,946,300,000 which shall be satisfied by the issue and allotment of Consideration Shares by Sinoma International at the Issue Price to Tianjin Zhongtian upon completion of the Acquisition (the “**Completion**”). Upon Completion, the Target Companies will become wholly-owned subsidiaries of Sinoma International.

Set out below are background of Sinoma International and the Target Companies:

Company name	Business nature	Audited net profit after taxation and extraordinary items in 2006 (RMB'000)	Audited net profit after taxation and extraordinary items in 2007 (RMB'000)	Audited net profit after taxation and extraordinary items for the eight months ended 31 August 2008 (RMB'000)	Audited net assets value as at 31 August 2008 (RMB'000)	% of shareholding held by the Group before the Acquisition	% of shareholding held by the Group after the Acquisition
1. Sinoma International	design of cement projects and the manufacture, installation and maintenance of cement equipment	359,911.7	408,289.7	331,389.9	1,596,137.6	53.31	42.65

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Business nature	Audited net profit after taxation and extraordinary items in 2006 (RMB'000)	Audited net profit after taxation and extraordinary items in 2007 (RMB'000)	Audited net profit/(loss) after taxation and extraordinary items for the eight months ended 31 August 2008 (RMB'000)	Audited net assets value as at 31 August 2008 (RMB'000)	% of shareholding held by Sinoma International before the Acquisition	% of shareholding held by Sinoma International after the Acquisition
2. Tangshan Sinoma	manufacture and sale of environmental construction material and transportation equipment and related technology development, transfer and services	11,029.0	16,400.0	11,511.8	61,323.1	55	100
3. CBMI Construction	construction contracting, mechanical and electrical equipment instalment contracting, weight-lifting equipment instalment, corrosion prevention and heat preservation project contracting, manufacture and sale of smelting equipment, pressure vessel, steel structuring and net structuring	44,798.6	79,099.8	81,936.7	189,458.3	76.58	100
4. CEMTECK Changshu	research, development and manufacture of large-scale crushing equipment, feeding equipment and other related cement manufacturing equipment	9,137.0	8,193.1	7,362.8	44,200.6	50	100
5. CEMTECK Zibo	design, manufacture and sale of cement mechanical, water-coal mixture, chemical engineering, non-metallic ore and electrical appliances control equipment and the provision of related consultancy services	14,994.3	10,464.0	(4,758.9)	70,129.8	65	100

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Business nature	Audited net profit after taxation and extraordinary items in 2006 (RMB'000)	Audited net profit after taxation and extraordinary items in 2007 (RMB'000)	Audited net profit/(loss) after taxation and extraordinary items for the eight months ended 31 August 2008 (RMB'000)	Audited net assets value as at 31 August 2008 (RMB'000)	% of shareholding held by Sinoma International before the Acquisition	% of shareholding held by Sinoma International after the Acquisition
6. CEMTECK Group	manufacture, instalment and sale of mechanical equipment, development and application of environmental protection technology and equipment and providing related consultancy services and the manufacture and sale of electricity allocation switch equipment	79,112.2	137,701.0	97,014.6	300,474.1	55	100
7. Jiangsu Sinoma	research and development, sale and instalment of cement mechanical and automatic control equipment and provision of related technical consultancy services	N/A (Note 1)	9,296.1	16,396.6	110,976.2	55	100
8. CEMTECK Powder	research and development, manufacture and sale of powder set equipment and parts and the provision of consultancy services	2,999.9	10,913.7	17,434.0	21,627.6	80	100
9. Tianjin Shiming	sale of construction material, metallurgy, chemical engineering, electrical mechanical, environmental protection, electricity and gas automatic control equipment and the provision of related consultancy services	(152.6)	4,617.9	6,103.2	16,565.0	55	100

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Business nature	Audited net profit after taxation and extraordinary items in 2006 (RMB'000)	Audited net profit after taxation and extraordinary items in 2007 (RMB'000)	Audited net profit/(loss) after taxation and extraordinary items for the eight months ended 31 August 2008 (RMB'000)	Audited net assets value as at 31 August 2008 (RMB'000)	% of shareholding held by Sinoma International before the Acquisition	% of shareholding held by Sinoma International after the Acquisition
10. Tianjin Yiexin	manufacture and sale of electricity and gas automatic control equipment, electrical parts and computer external equipment, research and development and provision of technology and computerized control system consultancy	7,738.7	10,567.5	15,826.9	20,965.0	95	100
11. TCDRI	design and development of cement project, equipment manufacturing, and design of cement raw material ore, heat electricity production cement station projects	134,611.6	186,515.1	145,837.7	543,996.0	93	100
12. CBMEC	supply and sale of construction material and mechanical set, international, local and external project contracting, research and development, and provision of combined services in relation to cement production line	42,281.8	32,488.2	30,129.4	77,853.2	65	100
13. Chengdu Design	project contracting, technology research and development, project design, equipment manufacturing, technology consultation, and the provision of project supervision and technological services	54,709.4	43,879.7	42,619.7	122,090.9	53.125	100

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Business nature	Audited net profit after taxation and extraordinary items in 2006 (RMB'000)	Audited net profit after taxation and extraordinary items in 2007 (RMB'000)	Audited net profit/(loss) after taxation and extraordinary items for the eight months ended 31 August 2008 (RMB'000)	Audited net assets value as at 31 August 2008 (RMB'000)	% of shareholding held by Sinoma International before the Acquisition	% of shareholding held by Sinoma International after the Acquisition
14. Sinoma Handan	smelting project contracting, equipment installation, manufacture, sale and installation of construction material and equipment, weight-lifting equipment, net structures and steel structures	13,184.1	21,975.8	25,222.3	47,984.1	82.43	100
15. Sinoma Suzhou	medium to large dry cement production line contracting, manufacture and installation of construction material equipment, cement factory and related heat electricity power projects	19,639.0	26,076.0	26,011.4	85,404.0	81.91 (Note2)	100

Notes:

1. Jiangsu Sinoma was established in July 2007.
2. As at the Latest Practicable Date, Sinoma Suzhou was owned as to 44.49% by Sinoma International and 37.42% by CBMI Construction, a non-wholly-owned subsidiary of Sinoma International.

As stated in the Letter from the Board, the Board is of the view that the Acquisition will enhance the control of Sinoma International on the Target Companies, and will generate higher returns when the Target Companies attain profits in the future.

Having considered the above and (i) the business nature and overall profitable track record of the Target Companies; (ii) the Acquisition being merely an acquisition of the remaining interest in the Target Companies; and (iii) the profit guarantee offered by Tianjin Zhongtian under the Compensation Agreement, we consider that the Acquisition is in the interest of the Group and the Shareholders as a whole.

2. **Principal terms of the Equity Purchase Agreement and the Compensation Agreement**

2.1 *Equity Purchase Agreement*

According to the Equity Purchase Agreement, Sinoma International has agreed to purchase and Tianjin Zhongtian has agreed to sell certain equity interests in the Target Companies at a consideration of RMB1,946,300,000 which shall be satisfied by the issue and allotment of Consideration Shares by Sinoma International at the Issue Price to Tianjin Zhongtian upon Completion. Pursuant to the Equity Purchase Agreement, the Consideration Shares are subject to a lock-up period of 36 months (the “**Lock-up Period**”) from the date of issuance of all the Consideration Shares and Tianjin Zhongtian shall not sell or otherwise dispose of the Consideration Shares during such period. We consider that the non-disposal restriction on the Consideration Shares is favorable to the Group as it will prevent the share prices of Sinoma International would be negative affected by the disposal of the Consideration Shares partially or fully by Tianjin Zhongtian at the secondary stock market within the Lock-up Period.

As stated in the Letter from the Board, the Consideration was determined by Sinoma International and Tianjin Zhongtian following arm’s length negotiations by reference to the appraised value of the Equity Interests of RMB1,946,308,400 as at the Valuation Date. Such appraisal was made by the PRC Valuer, an independent firm of valuer qualified in the PRC, based on discounted cash flow approach and market comparison approach.

To assess the fairness and reasonableness of the Consideration, we have reviewed the valuation report prepared by the PRC Valuer. As stated in the valuation report, discounted cash flow approach and market comparison approach were used by the PRC Valuer to arrive at the market value estimates for the Equity Interests.

Given (i) the valuation methodology applied by the PRC Valuer is normal and usual among professional asset valuers; and (ii) the reporting accountants of the Company, Shinewing (HK) CPA Limited, have confirmed that they have reviewed the accounting policies and calculations for the forecast contained in the Valuation Report, we are of the opinion that the basis for determining the valuation of the Equity Interests by the PRC Valuer is appropriate and is fair and reasonable so far as the Company and its Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that the Consideration was determined by Sinoma International and Tianjin Zhongtian after arm's length negotiations by taking into account, among other factors, the appraised value of the Equity Interests prepared by the PRC Valuer, which represents the fair market value of the Equity Interests, we concur with the Directors' view that the terms of the Equity Purchase Agreement, including the Consideration, are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms.

2.1.1 The Consideration Shares to be issued to Tianjin Zhongtian

As set out in the Letter from the Board, the Consideration will be satisfied by way of issue of the Consideration Shares at the Issue Price of RMB46.37 per Consideration Share pursuant to the Equity Purchase Agreement. The Consideration Shares represent approximately 24.98% of the existing issued share capital of Sinoma International and approximately 19.99% of the issued share capital of Sinoma International as enlarged by the issue of the Consideration Shares. Upon the issuance of the Consideration Shares pursuant to the Equity Purchase Agreement, the Company's equity interest in Sinoma International will be diluted from 53.31% to 42.65%. As advised by the Management, Sinoma International will continue to be a non-wholly owned subsidiary of the Company due to the Company's control on the board of Sinoma International.

2.1.2 Comparison of the Issue Price with market price of the shares of Sinoma International

The Issue Price of RMB46.37 per Consideration Share was equivalent to the average trading prices ("**20-day Average Price**") per share of Sinoma International ("**Sinoma International Shares**") as quoted on the Shanghai Stock Exchange for the last 20 consecutive trading days immediately prior to and including 22 September 2008, being the last trading day before the issue of the announcement of Sinoma International (the "**Last Trading Day**"). The 20-day Average Price is calculated by dividing total share transaction turnover for the last 20 consecutive trading days before the date of notice of board meeting to approve the issue of new shares by total number of share traded during the same period.

For our assessment purpose, we note that the Issue Price of RMB46.37 per Consideration Share represents:-

1. a premium of approximately 3.97% to the closing price of RMB44.6 per Sinoma International Share as quoted on the Shanghai Stock Exchange on the Last Trading Day;
2. a premium of approximately 5.88% to the average closing price of approximately RMB43.796 per Sinoma International Share for the last five trading days up to and including the Last Trading Day;
3. a premium of approximately 0.58% to the average closing price of approximately RMB46.101 per Sinoma International Share for the last 10 trading days up to and including the Last Trading Day;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. a discount of approximately 9.93% to the average closing price of approximately RMB51.484 per Sinoma International Share for the last 30 trading days up to and including the Last Trading Day;
5. a premium of approximately 7.71% to the closing price of approximately RMB43.05 per Sinoma International Share on the Latest Practicable Date; and
6. a premium of approximately 625.67% over the net asset value per Sinoma International Share of RMB6.39 as at 30 June 2008 based on the latest published financial information of Sinoma International as shown in the Sinoma International's 2008 interim report and the total number of issued Sinoma International Shares as at the Latest Practicable Date.

For the purpose of further comparing the Issue Price with the market price of the Sinoma International Shares, we plot the closing price level of the Sinoma International Shares traded on the Shanghai Stock Exchange from 3 September 2007 (being the 12-month period prior to the Last Trading Date as 52-week benchmarking period is a commonly used tenure for analysis purpose) to 22 September 2008 (being the Last Trading Day) (the “**Review Period**”) and further up to the Latest Practicable Date (the “**Extended Review Period**”) as follows:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the lowest closing price was RMB39.74 per Sinoma International Share recorded on 18 September 2008 and the highest closing price was RMB78 per Sinoma International Share recorded on 5 March 2008. The trading of the Sinoma International Shares was suspended on 23 September 2008 pending the publication of the Announcement and the trading of the Sinoma International Shares resumed on 13 October 2008. The Issue Price represents a premium of approximately 16.68% over the lowest closing price per Sinoma International Share and a discount of approximately 40.55% to the highest closing price per Sinoma International Share during the Review Period.

For reference purpose, the Issue Price also represents a premium of approximately 16.68% over the lowest closing price of RMB39.74 per Sinoma International Share, a discount of approximately 40.55% to the highest closing price of RMB78 per Sinoma International Share during the Extended Review Period and a premium of approximately 7.71% to the closing price of the Sinoma International Shares of RMB43.05 on the Latest Practicable Date.

As advised by the Management, the Issue Price was determined by the recent traded prices of the shares of Sinoma International Shares and requirements under 《上市公司重大資產重組管理辦法》 (Administrative Measures on the significant assets reorganisation of Listed Companies) (“**Administrative Measures**”) implemented by China Securities Regulatory Commission in May 2008.

Sinoma International is a company listed on the Shanghai Stock Exchange. According to the Administrative Measures, the issue prices of securities issued by companies listed on the PRC Stock Exchange should not be lower than their respective average trading price for the last 20 trading days before the date of notice of board meeting to approve the issue of new shares and assets acquisition. The average trading price is calculated by dividing total share transaction turnover by total number of share traded during the same period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness of the Issue Price, we make reference to issue prices of new shares issued and allotted by companies (“**Comparable Companies**”) listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange since 1 January 2008:

Company name	Stock Code	Date of share offering documents	Issue price (RMB)	20-day Average Price	Premium/ (discount) to the 20-day Average Price
賽馬實業 (Ningxia Saima Industry Co. Ltd.)	600449	6 May 2008	14.49	14.61	(0.83%)
亞寶藥業 (Shanxi Yabao Pharmaceutical Co. Ltd.)	600351	13 May 2008	14.47	14.45	0.14%
海螺水泥 (Anhui Conch Cement Co. Ltd.)	600585	14 May 2008	57.38	59.31	(3.25%)
浦東建設 Shanghai Pudong Road & Bridges Co. Ltd.)	600284	19 June 2008	10.64	14.08	(24.4%)
合加資源發展 (Eguard Resources Development Co. Ltd.)	000826	27 June 2008	14.9	15.64	(4.7%)
棲霞建設 (Nanjing Chixia Develoment Co. Ltd.)	600533	6 July 2008	8.62	8.76	(1.6%)
大族鐳射 (Han' s Laser Tech Co. Ltd.)	002008	9 July 2008	11.23	11.22	0.1%
通威股份 (Tongwei Co. Ltd.)	600438	22 July 2008	13.39	14.87	(10%)
太鋼不鏽 (Shanxi Taigang Stainless Co. Ltd.)	000825	23 July 2008	10.46	10.73	(2.5%)
冠城大通 (CITYCHAMP Dartong Co. Ltd.)	600067	25 July 2008	8.66	8.62	0.5%
福星股份 (Hubei Fuxing Science & Tech Co. Ltd.)	000926	25 July 2008	6.95	7.36	(5.6%)
特變電工 (TBEA Co. Ltd.)	600089	29 July 2008	17.73	17.73	-
粵水電 (Guangdong No.2 Hydropower Co. Ltd.)	002060	14 August 2008	7.15	7.26	(1.5%)
				Minimum	(24.4%)
				Maximum	0.5%
中材國際 (Sinoma International)	600970		46.37	46.37	-

Note: The issue of new shares by the Comparable Companies were not governed by the Administrative Measures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As can be seen from the above comparison table, the respective issue prices to the respective 20-day Average Prices of the Comparable Companies ranged from a premium of approximately 0.5% to a discount of approximately 24.4%. On the other hand, the Issue Price of RMB46.37 per Consideration Share is equivalent to the 20-day Average Price of Sinoma International Shares for the last 20 consecutive trading days immediately prior to and including the Last Trading Date. In this regard, we are of the view that the Issue Price is fair and reasonable to the Independent Shareholders.

2.2 *Compensation Agreement*

Pursuant to the Compensation Agreement, Sinoma International and Tianjin Zhongtian have, through consultations, agreed that the net profit attributable to the Equity Interests for the three years ending 31 December 2009, 2010 and 2011 shall not be less than RMB222,670,200, RMB249,116,800 and RMB289,948,000 respectively (“**Profit Guarantee**”). In the event that the audited net profit attributable to the Equity Interests for any of the three years ending 31 December 2009, 2010 and 2011 is less than (as relevant) RMB222,670,200, RMB249,116,800 and RMB289,948,000, respectively, or that there is a audited net loss attributable to the Equity Interests, Tianjin Zhongtian has agreed to pay Sinoma International the shortfall in cash within 30 days from the date of shareholders of Sinoma International approving, at an annual general meeting, the annual report of Sinoma International.

We consider the Profit Guarantee is favourable to Sinoma International as it allows Sinoma International to secure a minimum investment return from the Acquisition.

3. **Financial Effects of the Acquisition on the Group**

As at the Latest Practicable Date, the Target Companies were non-wholly-owned subsidiaries of Sinoma International, and their respective financial results have been consolidated into the consolidated accounts of the Group.

Upon Completion, the Target Companies will be accounted for as wholly-owned subsidiaries of Sinoma International, a non-wholly-owned subsidiary of the Company, all of their profits and losses will be consolidated in the Group’s profit and loss accounts and all of their assets and liabilities will be consolidated in the Group’s balance sheet.

Upon issue of the Consideration Shares, the Company’s equity interest in Sinoma International will be diluted from approximately 53.31% to approximately 42.65%. As stated in the Letter from the Board, such dilution will constitute a deemed disposal by the Company under Chapter 14 of the Hong Kong Listing Rules. The deemed disposal of approximately 10.66% shareholding interest in Sinoma International by the Company upon the Completion would give rise to an estimated gain for the Company in the amount of approximately RMB51,738,713 (equivalent to approximately HK\$58,361,268), representing the difference between (i) the Company’s 53.31% share in the audited consolidated net asset value as at 31 August 2008 of Sinoma International; and (ii) the Company’s 42.65% share of the unaudited consolidated net asset value (as set out under

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the proforma financial information of Sinoma International as enlarged by the acquisition of the Equity Interests) as at 31 August 2008 of Sinoma International, which will be recorded as an increase of shareholders' equity.

3.1 *Earnings*

Most of the Target Companies recorded net profits in 2006 and 2007, and the eight months ended 31 August 2008. By further acquiring the entire remaining equity interest of each Target Companies, we consider the Group can further capitalize the return from the Target Companies in the future.

3.2 *Net assets value*

According to the 2008 interim report of the Company, the Company recorded unaudited consolidated net asset value attributable to the Shareholders of approximately RMB6,855,916,000 as at 30 June 2008. Since the consideration paid for the Acquisition will be satisfied fully by the issue of the Consideration Shares by Sinoma International. Therefore, the consolidated net asset value attributable to the Shareholders would have no material change upon Completion.

3.3 *Dilution of the Shareholders' equity interest in the Company*

The Consideration will be satisfied fully by the issue of the Consideration Shares. Therefore, the shareholding structure of the Company will not be affected by the Acquisition. However, dilution to the Company's shareholding interest in Sinoma International will be resulted.

Upon issue of the Consideration Shares, the Company's equity interest in Sinoma International will be diluted from approximately 53.31% to approximately 42.65%. As advised by the Management, Sinoma International will continue to be a non-wholly owned subsidiary of the Company due to the Company's control on the board of Sinoma International.

However, taking into account that (i) the Acquisition will cement Sinoma International's control on the Target Companies with proven profitable record; (ii) Sinoma International will continue to be a non-wholly-owned subsidiary of the Company; and (iii) the payment of the Consideration by way of the issue of Consideration Shares can allow Sinoma International to avoid deploying a large outlay of cash for the Acquisition, we are of the view that the level of dilution is acceptable.

3.4 *Working capital and gearing*

Since the Consideration will be satisfied fully by the issue of the Consideration Shares by Sinoma International, the Acquisition will not result in any material adverse impact on the Group's working capital position and gearing ratio.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Equity Purchase Agreement and the Compensation Agreement were entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Equity Purchase Agreement and the Compensation Agreement.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

The following is the full text of the Valuation Report received from the PRC Valuer Beijing Pan-China Assets Appraisal Co., Ltd., for the purpose of incorporation into this circular.

Catalog

Catalog	48
Statement by the Certified Public Valuer	49
Summary of the asset evaluation report	50
Assets evaluation report	53
I Entrusting party, property owner and assets holder	53
II Purpose of evaluation	103
III Object and scope of the evaluation	103
IV Type of value and its definition	105
V Base day of the evaluation	105
VI Bases of the evaluation	106
VII Methods to the evaluation	108
VIII Process for implementation of evaluation procedures	113
IX Assumption of the evaluation	114
X Conclusion of the evaluation	116
XI Notes on ad hoc items	117
XII Notes to limit of the evaluation report in use	117
XIII Issuance date of the report	118
 Declaration on scope of use of reference documents to assets evaluation report	118
 Reference documents to assets evaluation report	119

STATEMENT BY THE CERTIFIED PUBLIC VALUER

- (I) We are obeying the related laws and code and asset evaluation rules, and scrupulously abiding the principle of independence, objectiveness and justice when we executed the asset evaluation operation. According to information we acquired in the execution, all statement in the asset evaluation report is objective and authentic. Our analysis, opinion, conclusion and the evaluation report is abiding the asset evaluation rules and relevant code.
- (II) We drew the evaluation report without any pre-established value in the evaluation conclusion.
- (III) We are not a benefit-sharer with the evaluated party in the evaluation report, and have no benefit relationship with the party involved in and have no prejudice upon the party.
- (IV) We had made on-the-spot investigation of the party in the evaluation report, and gave necessary attention to the legal right status to the party, and made survey to its materials related, however, we can not make assurance to the authenticity of the legal right of the party in any form. We have required enterprise to consummate the property right in order to meet the requirement of drawing the evaluation report, and disclosed the problems found.
- (V) We are fully qualified in the evaluation business and we have the related professional experiences.
- (VI) The analysis, opinion and conclusion made in the evaluation report were under the restriction of the hypothesis and conditions in the report, the user of the report should give full attention to the explanation of special items and its impact to the conclusion in the evaluation report.
- (VII) The professional opinion we gave upon the evaluation to the party is reference to the implement of the economic behavior. The evaluation report made by us and the conclusion given are only for the purpose of the evaluation by the user of the report listed on among it, and only within the valid period of the evaluation conclusion, any result caused by improper use will not be responsible by us.

Asset evaluation institution: Beijing Pan-China Asset Appraisal Co., Ltd

Certified Public Valuer: Wu Jianmin

Certified Public Valuer: Ren Limin

September 16th, 2008

SUMMARY OF THE ASSET EVALUATION REPORT OF THE PRIVATE PLACEMENT OF TIANJIN ZHONGTIAN TECHNOLOGY DEVELOPMENT CO., LTD BY SINOMA INTERNATIONAL ENGINEERING CO., LTD**Tianxing evaluation report (2008) the No. 135**

Beijing Pan-China assets appraisal Co., Ltd (“we” or “our company”) is entrusted by Sinoma International Engineering Co., Ltd (the “Sinoma International”), to make asset evaluation of the prospected subscribe shares hold by Tianjin Zhongtian Technology Development Co., Ltd. (“Tianjin Zhongtian” or “Property holder”) relating to the private placement by Sinoma International according to the relevant state laws and code, following the principal of independence, objectiveness and justice, by the accredited evaluation method, and we made the evaluation according to the necessary evaluation course and gave fair reflection of the targeted asset upon the market value as at August 31st, 2008. Hereby the summary of the evaluation report is as follows:

- Purpose of the evaluation: make certain of the value of assets hold by Tianjin Zhongtian which is planned to subscribe the private placement of Sinoma International in the public market, and offer reference to the economic behavior of Sinoma International for its private placement to Tianjin Zhongtian.
- Evaluated party: the right and benefit of the shares in 14 companies related to the private placement of Sinoma International hold by Tianjin Zhongtian.
- Evaluated scope: all assets of each evaluated units involved in 14 companies (the “asset owner”) hold by Tianjin Zhongtian relating to the private placement of Sinoma International and the related debt, the specific evaluation scope is referring to the assets evaluation declaration forms submitted by each asset owner.
- Value type: market-value
- Base day of evaluation: August 31st, 2008
- Evaluation methods: Discounted cash flow (DCF) method and Market Comparison method

The implementation of the evaluation procedure: the evaluation staff of our company made necessary check upon the assets in the scope of the evaluation and made sufficient examination to the legal right ownership materials and its sources and collected the related copies of the property right certificate and made validation and auditing the account records and relating materials and made on-the-spot assessment of the assets and carried out the required evaluation procedure.

Evaluation result: as at the base day of the evaluation, the property owner was holding equities of each asset holders for a face value of RMB268,062,417.12, and the evaluation result made by DCF method was RMB1,946,308,400, and the result made by market comparison method was RMB2,116,446,800.

In this evaluation the impact of share value generated by the possible income tax by increment of value is not considered.

Note: Targeted assets refer to the minority shareholdings by Tianjin Zhongtian in the following 14 entities, in specific, 7% in TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd, 45% in CEMTECK Group Co., Ltd., 5% in Tianjin Electricity & Automation Control Engineering Co., Ltd., 45% in Tianjin Shiming Machinery and Electrical Spare Parts Co., Ltd., 20% in CEMTECK Powder Technology and Equipment Co., Ltd., 35% in CEMTECK (Zibo) Machinery Co., Ltd., 50% in CEMTECK Changshu Shiming Heavy Machinery Co., Ltd., 45% in Tangshan Sinoma Heavy Machinery Co., Ltd., 45% in Jiangsu Sinoma Cement Technology Equipment Co., Ltd., 17.57% in Sinoma (Handan) Construction Co., Ltd., 23.42% in CBMI Construction Co., 18.09% in Sinoma (Suzhou) Construction Co., Ltd., 46.875% in Chengdu Design and Research Institute of Building Materials Industry Co., Ltd and 35% in China National Building Material Equipment Co. Ltd.

The select of evaluation result: As a result, the evaluation of targeted asset made by DCF method of RMB1,946,308,400 was adopted instead of the result made by market comparison due to the following reasons:

The evaluation of share value made by DCF method is reflecting the value of the enterprise through the future cash flow of the asset holder, which is sufficiently reflecting the value generated from the tangible assets and intangible assets held by the asset holder; while by market comparison method, though the evaluation staff are comparing the analysis of the asset holders, financial status and the operation situations of comparable companies, there maybe still some uncovered items existing, such as the intangible asset uninvolved in the account (for example, patent, proprietary technology and so on), because there is some limitation of some impersonal condition the relating materials are not available by the evaluation staff. Plus, there is uncertainty of the market itself.

The user of this evaluation report are required to focus on the impact of the evaluation conclusion generated by the following special items when using the abovementioned evaluation conclusion:

1. this evaluation result is drawn under the purpose of this evaluation to reflect the market value of the evaluated assets of the property owners according to the public market principle, and possible impact of the mortgage and guarantee have been made and being made are not considered, and any adjustment of the tax of increment value of the assets are not made, and the impact by possible mortgage, guarantee or contingent debt, suspending lawsuit or any other possible litigation as well as the impact towards the evaluation price by the additional prices maybe paid by the special trader are not included; at the same time, this report is not covering the impact upon the asset price in case there were any change of the state macro economic policy or encountering any natural forces or force majeure.
2. The impact to the value of targeted assets by inflation factor is not considered.
3. There are certain documents for future reference included in this report, which are an important part of the report, have the equal force and effect as the main body of the report.
4. According to the related provisions of state-owned asset evaluation and admistration, the foresaid evaluation result will become effective when they were put on records according to the related rules.
5. According to the related rules of China, the valid period of the evaluation report is 1 year, that is from the base day of August 31st, 2008 until August 30th, 2009.

The foresaid contents are summaries of the assets evaluation report, if you want to make a more detailed understanding of this evaluation program, please read the whole evaluation report carefully.

The assets evaluation institution: Beijing Pan-China Asset Appraisal Co., Ltd

Legal representative: Sun Jianmin

Certified Public Valuer: Wu Jianmin

Certified Public Valuer: Ren Limin

September 16th, 2008

ASSET EVALUATION REPORT OF THE PRIVATE PLACEMENT TO TIANJIN ZHONGTIAN TECHNOLOGY DEVELOPMENT CO., LTD BY SINOMA INTERNATIONAL ENGINEERING CO., LTD

Tianxing evaluation report (2008) No. 135

Sinoma International Engineering Co., Ltd:

Beijing Pan-China Asset Appraisal Co., Ltd is entrusted by your company, made assets evaluation hold by Tianjin Zhongtian Technology and Development Co., Ltd. ("Tianjin Zhongtian" or "Property owner") relating to the private placement by Sinoma International according to the relevant state laws and code, following the principle of independence, objectiveness and justice, by the accredited evaluation method, and we made the evaluation according to the necessary evaluation course and gave fair reflection of the targeted asset upon the market value as at August 31st, 2008. Hereby we draw the asset evaluation report as follows:

I ENTRUSTING PARTY, PROPERTY OWNER AND ASSETS HOLDER

In this assets evaluation, the entrusting party is Sinoma International Engineering Co., Ltd, the property holder is Tianjin Zhongtian Technology and Development Co., Ltd, and the asset owners are listed below:

No.	The proportion of shares hold by the property holders	Asset owners
1	7%	TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd
2	45%	Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd
3	5%	Tianjin Electricity & Automation Control Engineering Co., Ltd.
4	35%	CEMTECK (Zibo) Machinery Co., Ltd
5	50%	CEMTECK Changshu Shiming Heavy Machinery Co., Ltd
6	45%	Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd
7	20%	CEMTECK Powder Technology Machinery Co., Ltd
8	45%	Jiangsu Sinoma Cement Technology Equipment Co., Ltd
9	45%	Tangshan Sinoma Heavy Machinery Co., Ltd

No.	The proportion of shares hold by the property holders	Asset owners
10	23.42%	CBMI Construction Co., Ltd
11	35%	China National Building Material Equipment Co., Ltd
12	46.875%	Chengdu Design and Research Institute of Building Materials Industry
13	18.09%	Sinoma (Suzhou) Construction Co., Ltd
14	17.57%	Sinoma (Handan) Construction Co., Ltd

The users of this evaluation report are the entrusting party, property holders and the administration commissions.

(I) Profile of the entrusting party

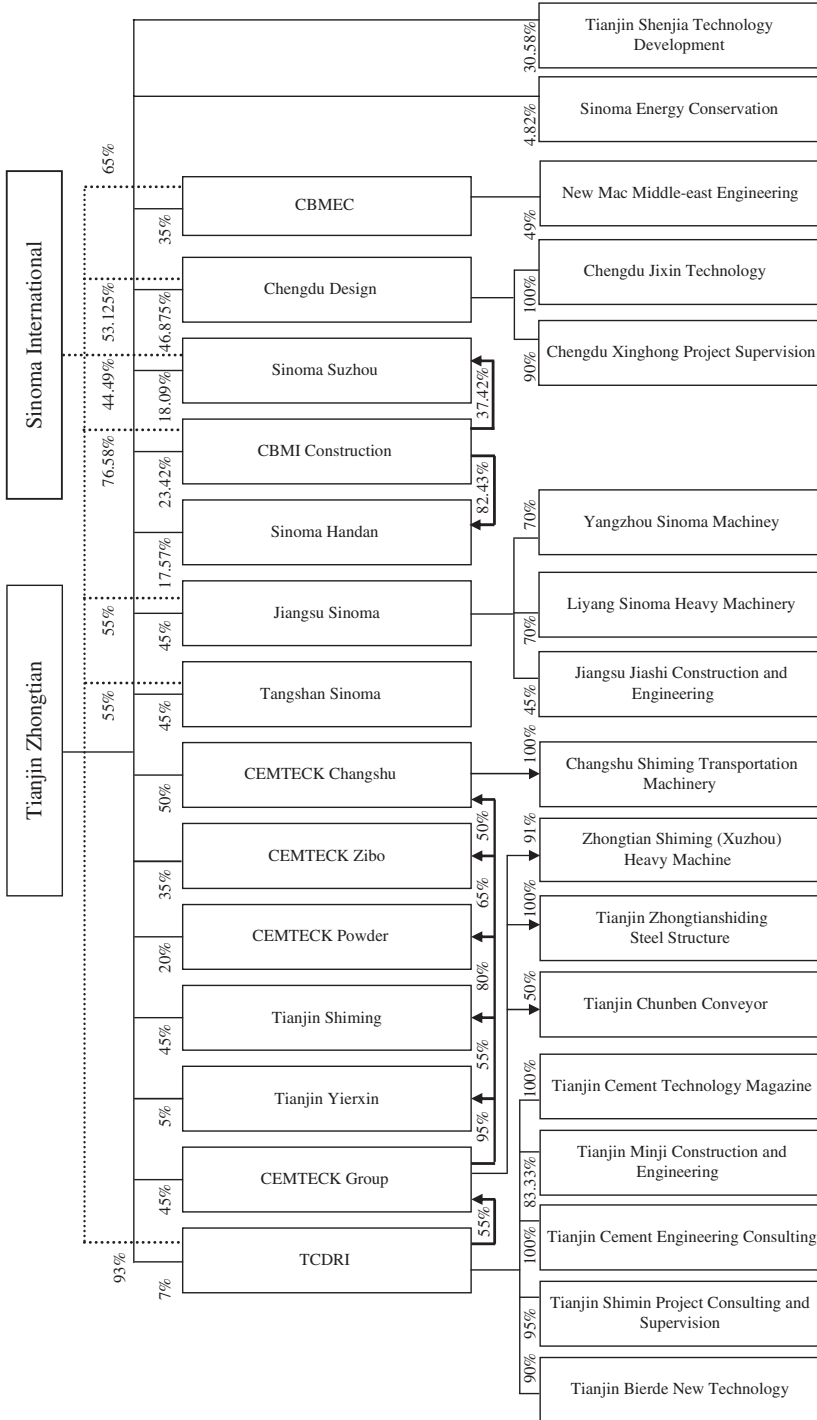
1. *Company name:* Sinoma International Engineering Co., Ltd
2. *Registered address:* 32#, Linhuai Street, Jiangning Development Zone, Nanjing, Jiangsu Province
3. *Contact address:* Sinoma International mansion, 16#, Wangjing North Rd, Chaoyang District, Beijing
4. *Legal representative:* Liu Zhijiang
5. *Registered capital:* RMB one hundred and sixty-eight million
6. *Business scope:* the business items under permission: dispatch labors abroad for building materials engineering project outside China. General business items: new nonmetal materials, building materials and research, development, technology consulting, project designing, equipment manufacturing, construction, erection, general contract of nonmetals, resident building design, project exploration and supervision, the integration and manufacture of industry automatic control system, the production and sales of the foresaid related products, bidding for building materials engineering project overseas, international bidding project in China, bidding for the exploration, consulting, design and supervision of the foresaid projects abroad, and exporting and importing business.

7. *Its industry, area
and its market:*

Sinoma International Engineering Co., Ltd (“Sinoma International”) was incorporated on December, 28th, 2001 based on inheriting and integrating the advantageous resources of design, equipment manufacturing and engineering in China’s cement industry, and engaged in project consulting, research and development, design, equipment manufacturing construction and erection, project management, commissioning and performance test as well as the integrated service for the turn-key project both home and abroad. Sinoma International is the largest cement technology, equipment manufacturing and engineering company in China, and leading the technology progress and industry upgrading of cement industry. It witnessed the development of cement industry in China, and led the whole industry exploring the international market at a great speed. Currently, Sinoma International has a total asset of RMB9.8 billion and 7,400 employees. By the end of the year 2007, it has 56 directly and indirectly-held subsidiary companies and branches, according to the combined data, it had realized an income of more than RMB12.4 billion and gained a total profit of RMB600 million. Sinoma International was awarded the national key high-tech enterprise by National Science and Technology Ministry in the year 2003, and won the national labor award and excellent enterprise of state-owned assets in 2004, it was listed in Shanghai stock exchange in 2005 (stock code: 600970, or “Sinoma International”), it was listed the top-three of the project contractors all around China in the same year, the company gained the qualification of owning a postdoctoral scientific research workstation in 2006.

Sinoma International completed the 1,000TPD-10,000TPD cement production technology with a New Dry Process method all by itself, and developed and designed more than 10,000 cement equipments both specialized and general, and covering all the production process and reached the international advanced level. With its core technology in medium and large-scale New Dry Process production lines and integrated supply chain, Sinoma International was involved in the design and construction of more than 500 cement production lines, keeping on to promote the step of Chinese cement industry into modernization, large-scale, localization and internationalization. And at the same time, Sinoma International quickly entered into the global market with its advantages of a world-leading technology and integrated system of general contracting, its abroad projects are conducted in over 40 countries in Europe, Asia, Africa and America, the proportion in international market is more than 25 percent, and the "SINOMA" brand owned by Sinoma International are enjoying a great fame in the international market.

8. Illustration of Shareholders



(II) the profile of property owner — Tianjin Zhongtian Technology Development Co., Ltd

1. *Name:* Tianjin Zhongtian Technology Development Co., Ltd
2. *Address:* 9#, Xingzhong road, Beichen technology park
3. *Legal representative:* Ni Jinrui
4. *Registered capital:* RMB160 million
5. *Business scope:* invest in high-tech technology, new materials industries by its own capital, develop, transfer and offer consulting service (agency not included) for high-tech technology, machinery equipment, environmental-protection facilities, transportation equipment, electricity automatic control equipment, the design, manufacturing, installation and sales of electron components, computer and peripheral equipment, the development, service and consulting of machinery and electron equipment technology, the whole-sale and retail of machinery, building materials and metal materials (if there is exclusive operation provision by the state, should be transacted according to the specific provisions)
6. *History and background:* On Nov, 20th, 2002, as the Tianjin municipal business and administration bureau Beichen branch issued "business license of corporation", Tianjin Zhongtian was setup. Its registered capital was RMB19.8 million, which was invested by Xu Jingxi, Xia Zhiyun, Zhao Gang, Xing Baoshu, Xu Peitao, Gao Liansong, Sui Mingjie, Hu Yeming, and Yang Deguang each one for RMB2 million in cash, and Di Dongren invested RMB1.8 million in cash, by May, 2003, the registered capital was increased from RMB19.8 million into RMB35 million.

In August, 2008, the registered capital of Tianjin Zhongtian was increased from RMB35 million into RMB160 million, among which the existing shareholders added the registered capital RMB17.016 million by capital accumulation fund according to the share proportion of each, the 22 persons subscribed additional registered capital of RMB107.984 million by a total RMB125 million in cash, and the balance RMB17.016 million was accounted into the capital accumulation fund of Tianjin Zhongtian.

(III) the profile of asset owner — TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd

1. *Name:* TCDRI Industry Design & Research Institute (TCDRI)
2. *Address:* Torch mansion, Zhongjie Technology park, Beichen technology park area
3. *Legal representative:* Yu Xingmin
4. *Registered capital:* RMB200 million
5. *Business scope:* building materials cement (including waste heat power generation), nonmetal mine), engineering project, the specialized project design for environmental-protection, general contract for turn-key project, project consulting and so on.
6. *History and background:* Tianjin Cement Industry Design and Research Institute (“Tianjin Cement Institute”) was founded in 1953, it was one of the oldest and key big industry design institutes in China, and also the best class – A design institute in the building materials industry. On Dec, 13th, 2006, Sinoma International and Tianjin Zhongtian co-invested to setup Tianjin Cement Institute, and the registered capital was RMB200 million. In Nov, 2006. Among which, Sinoma International injected the net core assets of Tianjin Cement Institute purchased from the China Non-Metallic Materials Corporation (currently “China National Materials Co., Ltd”) and held 93% shares of Tianjin Cement Institute, while Tianjin Zhongtian invested in cash and held 7% shares.

7. As at the base day of the evaluation, the shareholder, investment amount and proportion of shares are listed as following:

Unit: RMB10,000

Name of shareholders shareholder	Investment amount	Proportion of shares
Sinoma International	18,600	93%
Tianjin Zhongtian	1,400	7%
Total	<u>20,000</u>	<u>100%</u>

8. The financial status and operation performance from 2005 to August 31st 2008

the Basic financial information

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets		135,334.21	210,973.23	255,813.17
Total liabilities		103,130.72	173,075.58	217,682.00
Net assets		32,203.49	37,897.64	38,131.17
Debt/Equity ratio		76%	82%	85%
Liquidity ratio		1.11	1.09	1.09

Basic information of the operation

Unit: RMB10,000

Items	Year 2005	Year 2006	Year 2007	Jan–Aug, 2008
Income from core business			118,778.07	82,694.74
Cost of core business			96,383.41	68,961.75
Net profit			5,694.65	10,440.68
Return on Equity			15%	27%

The financial status and operation status of the year 2006, 2007, and as for Aug 31st, 2008 have been audited by Reanda Certified Public Accountants, and a audit report with unqualified opinion was drew out.

9. *Its industry, area and its market*

Tianjin Cement Institute has the qualifications of general project contract, project cost consulting (class-A), pressure vessel design (D1, D2 pressure vessel), exporting project design and project supervision (class-A) and so on.

Being the leading role of China's cement scientific research and technology progress, Tianjin Cement Institute prompted the continuous progress of the industry scientific research and technology. Considering the market demand and engineering requirement, Tianjin Cement Institute strengthened the development and application of new technology, new techniques, and new equipment, and developed many basic research, application and technological innovation. In the field of the new dry process cement production technology and equipment which is the representation of the most modern technology, it was in the wake of the development orientation in the world cement industry and did a series of effective jobs in the Chinese background, and formed a whole series of 700t/d-10,000t/d new dry process production lines. In the aspect of turning the Chinese cement industry into eco-friendly and environmental-friendly, Tianjin Cement Institute is always committing itself to the research of the integrated use of resources, saving energy and environment-protecting and gained a lot practicable fruits, which promoted the progress of technology in the whole industry.

As the leader of cement equipment and engineering technology in China, Tianjin Cement Institute has gained a batch of exclusive technology with intellectual property rights, and researched and developed and also stocked a lot of new equipments, energy-saving equipment, environmental-protection equipment, automatic control equipment technology, and promoted the improvement and progress of the technology level of equipment in the newly-built cement production lines in China.

Through the state torch program item — “the industrialization of energy-saving technology equipment in the cement production” project construction and by strengthening the asset operation, take the methods of reforming and combining, and built the enterprise's industry manufacture and equipment manufacture base, and formed a whole series of equipment for 1000-10,000t/d lines, its products almost covered all the specialized equipments of the new dry process cement production lines, and in possession of strong equipment-manufacturing and sales capability, “Shiming” brand for equipment has already been the first brand in domestic cement equipment field, made its place as the leading enterprise of domestic equipment industry and also stepped into the top of the world-famous cement equipment suppliers.

(IV) the profile of asset owner — CEMTECK Group Co., Ltd

1. *Name:* CEMTECK Group Co., Ltd
2. *Address:* 149#, 9#, Xingzhong Rd, Beichen Technology Industry Park, New-tech Industry Park, Tianjin
3. *Legal representative:* Yu Xingmin
4. *Registered capital:* RMB55.28 million
5. *Business scope:* the manufacture, installation, sales of machinery equipment and the developing, service, consulting of the relative items, the development and application of the environmental protection and equipment and the service, consulting of the relative items, the manufacture of electricity switch control equipment, the development, design, technology consulting and service of the electric automatic control equipment and the series of technology in computer controlling system, the computer system and applicable software, the research, consulting and service of cement production technology, the whole-sale and retail of the electronic equipment and supplement and spare parts, the rental of equipment, self-support and acted as an agent of all kinds of goods and technology in export and import, but not including the goods and technology forbidden to operate by the country (among the foresaid item, whatever needs the permission of the country should be taken under the provision).
6. *History and background:* On Apr 7th, 2000, Tianjin Cement Institute, Tianjin Shiming Cement Technology and Equipment Co., Ltd. and three natural persons including Song Shoushun invested to found CEMTECK Zibo, with a registered capital of RMB5 million, among which: Tianjin Cement Institute invested 2 million, holding 40%, and Tianjin Shiming Cement Technology and Equipment Co., Ltd invested 1.5 million, holding 30%, the three natural persons held 10% shares each. On May 8th, 2001, Song Shoushun and other two natural persons separately transferred their 10% shares to Tianjin Cement Institute. In June, 2003, CEMTECK Zibo increased its registered

capital from RMB5 million to RMB10 million, among which: Tianjin Cement Institute increased RMB1.54 million and its proportion in the added registered capital was falling into 50.40%, Tianjin Shiming Cement Technology and Equipment Co., Ltd increased 0.66 million, holding 21.60% of the new registered capital, Tianjin Zhongtian increased 2.8 million RMB and occupied 28 percent of the total registered capital. In July, 2003, Tianjin Shiming Cement Technology and Equipment Co., Ltd signed a Share Transfer Agreement with Tianjin Zhongtian, and transferred 21.60% of its shares to Tianjin Zhongtian, as a consequence, Tianjin Zhongtian hold 49.6% of shares of CEMTECK Zibo. In April, 2004, CEMTECK Zibo increased its registered capital from RMB10 million to RMB55.28 million. Among which: Tianjin Zhongtian invested RMB39,264,000, holding 80% of the total capital, Tianjin Cement Institute invested RMB6,016,000, holding 20% of the total capital. On Sep. 11th, 2006, Tianjin Zhongtian signed a share transfer agreement with Tianjin Cement Institute and transferred 35% of its shares in CEMTECK Zibo to Tianjin Cement Institute, as a result, Tianjin Zhongtian hold 45% shares of CEMTECK Zibo. On Sep 21st, 2007, Tianjin Cement Institute transferred 55% shares of CEMTECK Zibo to Tianjin Cement Institute Co., Ltd.

7. As at the base day of evaluation, the shareholders, investment amount and its proportion of shares are listed as below:

Unit: RMB10,000

Item	Name of shareholders	Investment amount	Proportion (%)
1	Tianjin Cement Industry Design and Research Institute Co., Ltd	3,040.40	55.00
2	Tianjin Zhongtian Technology Development Co., Ltd	2,487.60	45.00
	Total	<u>5,528.00</u>	<u>100.00</u>

8. The financial status and operation of the company from 2005 to Aug 31st 2008:

The basic financial information

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	79,983.36	75,868.47	109,495.30	148,127.68
Total debt	65,331.86	60,666.51	88,258.93	131,489.81
Net assets	14,651.50	15,201.96	21,236.37	16,637.87
Debt/Equity ratio	81.68%	79.96%	80.61%	88.77%
Liquidity ratio	1.05	1.01	1.08	1.00

The basic information of operation

Unit: RMB10,000

Item	Year 2005	Year 2006	Year 2007	Jan-Aug, 2008
Income from core business	49,175.28	50,568.30	78,269.79	50,316.83
Cost of core business	41,641.86	42,933.22	68,87.46	44,024.10
Net profit	5,961.82	6,296.11	8,705.22	9,105.59
Return on Equity	40.69%	41.42%	40.99%	54.73%

The financial status and operation of the year 2006, 2007, and as at Aug 31st, 2008 have been audited by Reanda CPAs, and a audit report with unqualified opinion was drew out.

9. *Industry, area and market:*

CEMTECK Group is affixed to Sinoma International, it is the core of equipment manufacturing, and a high-tech technology enterprise with independent legal status, it achieved the second place among all the building materials equipment manufacturers in China in 2005. Its subsidiary includes: Zhongtian Shiming (Xuzhou) Heavy Machinery Co., Ltd, Tianjin Electricity & Automation Control Engineering Co., Ltd., CEMTECK (Zibo) Machinery Co., Ltd, CEMTECK Changshu Heavy Machinery Co., Ltd, Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd, CEMTECK Powder Technology Machinery Co., Ltd, Tianjin Chunben Transporting Machinery Co., Ltd, Tianjin Zhongtian Shiding Steel Structure Engineering Co., Ltd. CEMTECK Zibo is a business entity with main businesses of equipment design and development, basic theoretical research, equipment manufacturing, the complete set of engineering equipment and technological consulting services.

CEMTECK Zibo formed a production capacity of supplying more than 100,000 tons equipment and satisfying different scales of new dry process production lines ranging from 1,000 to 6,000t/d, almost covering all the specialized equipments in the production process. And successively supplied all the specialized equipments for over 100 new dry process cement production lines both at home and abroad, and formed a whole series of 1,000t/d-6,000t/d equipment, and occupies more than 65% of the cement engineering market in China, as for the market of 5,000t/d new dry process cement production lines and above, CEMTECK Zibo accounts for more than 80%.

Now, the six controlled-holding equipment manufacturing centers own advanced workshops and first-class manufacturing facilities, including more than 800 large-sized, precise and top class equipments such as full-automatic numerical control lathe, miller, flaming Plasma cutting machine, drum lathe, huge rolling trigger, huge Boring machines as well as system manufacturing techniques. All its manufacturing companies are qualified for the ISO9000 and ISO9001 standard, with the computer integrated information management system as a core, it set up platforms for develop and manufacture CAD.

(V) Profile of Assets Owner — Tianjin Electricity & Automation Control Engineering Co., Ltd.

1. *Company name:* Tianjin Electricity & Automation Control Engineering Co., Ltd. (EAC)
2. *Address:* Huoju Building, Zhongjie Technology Zone, Beichen Science& Technology Park, Tianjin
3. *Legal representative:* Xu Peitao
4. *Registered capital:* RMB3 million
5. *Business scope:* Manufacture of electric automatic control equipment, electronic elements, computer peripheral equipment; development, design, service, training and technical consultation concerning the computer control system; wholesale and retail business of mechanic and electronic equipment, hardware, electric appliance and computer.

6. *History and background:* On May 28, 1997, Tianjin Cement Industry Design & Research Institute and Tianjin Shiming Engineering Construction Supervision Technical Consulting Co., Ltd. jointly established EAC with the registered capital of RMB3 million. Tianjin Cement Industry Design & Research Institute invested RMB2.90 million, accounting for 96.67% of the total. On May 11, 2004, Tianjin Cement Industry Design & Research Institute transferred 96.67% of EAC's shares to Tianjin Zhongtian; Tianjin Shimin Engineering Construction Supervision Technical Consulting Co., Ltd. transferred 3.33% of EAC's shares to CEMTECK Zibo. On September 12, 2006, Tianjin Zhongtian Development transferred 91.67% of EAC's shares to CEMTECK Zibo. After share transfer, Tianjin Zhongtian Development possesses 5% of the shares of EAC.
7. *Shareholder's name, amount of investment and equity ratio by the base date of evaluation:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	CEMTECK Group Co., Ltd.	285.00	95.00
2	Tianjin Zhongtian Technology Development Co., Ltd	15.00	5.00
		<hr/>	<hr/>
	Total	<hr/> 300.00	<hr/> 100.00

8. *Financial and Operation Status between 2005 and August 31, 2008***The Basic Financial Status***Unit: RMB10,000*

Items	2005	Dec 31st,		Aug 31st, 2008
		2006	2007	
Total assets	11,203.83	11,511.77	10,586.50	16,013.21
Total liabilities	11,129.50	10,717.83	8,450.11	13,916.71
Net assets	74.33	793.94	2,041.39	2,096.50
Debt/Equity ratio	99.34%	93.10%	79.82%	86.91%
Liquidity ratio	1.00	1.07	1.07	1.14

The Basic Information of Operation Status*Unit: RMB10,000*

Item	2005	2006	2007	January – August
				2008
Income from Main business	5,809.56	8,034.72	10,454.30	10,782.81
Cost of Main business	4,316.63	6,300.59	8,226.83	8,196.95
Net profit	-225.90	699.58	1,056.75	1,582.69
Return on Equity	-304%	88.11%	51.77%	75.49%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, area and Market Position*

EAC only takes part in the design project bidding of Tianjin Cement Industry Design & Research Institute and aims at ensuring the project proceeds smoothly and reaches the standard. In the cement industry, Tianjin Cement Industry Design & Research Institute enjoys a high reputation for product quality. Our successful bidding ratio is 70% to 80%.

(VI) Profile of Assets Owner — CEMTECK (Zibo) Machinery Co., Ltd.

1. *Company name:* CEMTECK (Zibo) Machinery Co., Ltd.
(hereinafter “Zibo Shiming”)
2. *Address:* #111 Yumin Road, Zibo Development Zone
3. *Legal representative:* Yu Xingmin
4. *Registered capital:* RMB22.80 million
5. *Business scope:* Design, production, processing, technical service and consultation and sales of the complete set of cement machinery, coal-water slurry machinery, chemical equipment, environmental protection equipment, non-metal mineral mining equipment, electric control equipment as well as the accessories and steel castings of the aforesaid equipment; export of the self-produced products and import of the required mechanical equipment, spare parts, raw materials and auxiliary materials, except for the commodities and technologies that are forbidden or restricted by the state authority.
6. *History and background:* CEMTECK Zibo was established on January 8, 2002 with the registered capital of RMB11,711,887. It grew out of Shandong Chongzheng Lujian Heavy Machinery Co., Ltd. (hereinafter “Chongzheng Lujian”). On January 8, 2002, Zibo Industrial Development Co., Ltd. (hereinafter “Zibo Development) and 36 natural persons, including You Shouzhi et al. established Chongzheng Lujian with the registered capital of RMB11,711,887. Zibo Development invested RMB10,106,887, accounting for 86.30% of the total; 36 natural persons invested RMB1,605,000, accounting for 13.70%.

In January 2004, 36 natural persons, including You Shouzhi et al. transferred their shares to Zibo Zhongyi Metal Structure Co., Ltd. According to the Written Reply of Zibo People's Government on the Joint Investment and Cooperation between Shandong Chongzheng Lujian Heavy Machinery Co., Ltd. and Tianjin Cement Industry Design & Research Institute (Zibo Administration Document No.[2004]3) and the Minutes of Meeting (No.[2004]2) of Zibo People's Government, on January 10, 2004, Tianjin Shiming Mechanical Equipment Co., Ltd., Zibo Zhongyi Metal Structure Co., Ltd. (the company was established by 34 employees of Chongzheng Lujian on May 19, 2003 with the registered capital of RMB800,000. It is abbreviated as "Zibo Zhongyi"), Zibo Chongzheng Cement Co., Ltd., Zibo Development and Chongzheng Lujian signed the Assets Reorganization Contract on the establishment of Zibo Shiming. The registered capital increased to RMB22.80 million. To be more specific:

CEMTECK Zibo invested RMB12.0840 million, accounting for 53% of the total registered capital. It acquired Zibo Development's equities in Zibo Shiming, which is RMB5.3567 million for nil consideration, and the cash investment of RMB6.7273 million; Zibo Zhongyi invested RMB10.0320 million, accounting for 44%. Among which, it acquired Zibo Development's equities in Zibo Shiming, which is RMB4.447 million for nil consideration, and the shares possessed by Chongzheng Lujian's employee investors, which is RMB1.6050 million, and the cash investment of RMB3.98 million; Chongzheng Cement invested RMB684,000, accounting for 3%, including the equities of RMB303,100 in Zibo Shiming acquired from Zibo Development for nil consideration, and the cash investment of RMB380,900; on August 15, 2008 and August 18, 2008, Chongzheng Cement and Zibo Zhongyi signed the sharetransfer agreement with CEMTECK Zibo separately on the transfer of their shares of Zibo Shiming (3% and 9% respectively) to Zhongtian

Shiming. After the transfer, CEMTECK and Zibo Zhongyi seize 65% and 35% of the shares respectively. Zibo Shimings registered capital increased from RMB22.80 million to RMB50 million. CEMTECK and Zibo Zhongyi increased investment simultaneously according to their original proportion of shares.

On August 18, 2008, Zibo Zhongyi and Tianjin Zhongtian signed the share transfer agreement on the transfer of the shares possessed by Zibo Zhongyi, which accounted for 35% of the shares of Zibo Shimings, to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	CEMTECK	3,250.00	65.00
2	Tianjin Zhongtian	1,750.00	35.00
	Total	5,000.00	100.00

8. *Financial and Operation Status between, 2005 and August 31, 2008.*

The basic Financial Information

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	18,728.86	27,762.93	34,571.21	41,462.25
Total liabilities	15,586.14	23,315.11	29,802.34	34,449.26
Net assets	3,142.72	4,447.82	4,768.87	7,012.98
Debt/Equity ratio	83.22%	83.98%	86.21%	83.09%
Liquidity ratio	0.95	0.93	0.90	0.96

Basic Information of Operation

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	17,678.59	21,344.61	22,673.19	18,422.13
Cost of core business	15,052.58	17,664.70	18,877.41	16,344.04
Net profit	774.40	1,499.42	1,046.40	-475.89
Return on equity	24.64%	33.71%	21.94%	-6.79%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, area and Market Position*

CEMTECK Zibo owns the advanced auxiliary equipment and testing measures. The major equipment include: Φ8m vertical boring mill, Φ8m hobber, Φ4.2*14m sleeper, Φ5.5*16m sleeper, Φ6.3*16m stress relief furnace, 70*3m new type plate bending rolls, 125*3 new type plate bending rolls, YY-W10000 large hard support dynamic balancing machine, the coordinate type optical-following flame cutter imported from Sweden and the double wire submerged arc welding machine. It is able to produce 28,000t main engine for cement machinery annually. The products are sold well in China.

Ever since the “Eighth-Five Year Plan” period, CEMTECK Zibo has adhered to the science and technology-oriented business development strategy and successfully researched and developed nearly 40 new products within a few years. Many products fill in the blank of the country and the province. 1 product wins the first prize of city-level scientific and technological achievements; 4 products win the provincial excellent new product prize; 5 products are awarded the national patent; 2 products win the national invention gold medal; 1 product wins the supreme invention prize of Shandong province.

CEMTECK Zibo has consolidated its position in Shandong province and even the whole country. O-SEPA N-1000~N-5000 high efficiency powder screening machine, TLS1000-TLS3500 crude material composite powder screening machine and FWM400-FWM850 slack coal dynamic powder screening machine stand for the world’s advanced level. The Φ3.2*50m, Φ3.3*50m, Φ4*60m, Φ4.8*72m rotary kiln, which are used for the cement industry, reach take the lead in China. The Φ3*11m, Φ3.2*13m,

Φ3.5*11m, Φ3.6*9m, Φ4.2*13m, Φ4.6*10+3.5m ball mill and air swept mill take the lead in China for production index and other technical economic indicators.

(VII) Profile of Assets Owner — CEMTECK Changshu Heavy Machinery Co., Ltd.

1. *Company name:* CEMTECK Changshu Heavy Machinery Co., Ltd.
(hereinafter “CEMTECK Changshu”)
2. *Address:* Sanfeng, North Suburbs, Changshu
3. *Legal representative:* Tan Yuxing
4. *Registered capital:* RMB20 million
5. *Business scope:* Research, development, manufacture and sales of metallurgical and non-metal mineral mining equipment and the related cement equipment; export and import business concerned with goods and technologies, excluding the commodities and technologies that are forbidden or restricted by the state authority.

6. *History and background:*

On October 23, 2003, Tianjin Shiming Mechanical Equipment Co., Ltd. (now CEMTECK Group Co., Ltd., namely CEMTECK) and Changshu Qiangsheng Building Material Machinery Co., Ltd. (it was established by 30 employees of CEMTECK Changshu with the registered capital of RMB6.60 million. It is abbreviated as “Changshu Qiangsheng”) jointly established CEMTECK Changshu with the registered capital of RMB5.16 million. Tianjin Shiming Mechanical Equipment Co., Ltd. invested RMB2.58 million, accounting for 50% of the total; Changshu Qiangsheng made an investment of RMB2.58 million with a part (evaluated value: RMB2.68 million) of the evaluated net assets (evaluated value: RMB8.3544 million) of Changshu Mechanical Mining machinery Plant, accounting for 50% of the total; the rest investment was made by CEMTECK Changshu in the form of debt undertaking. On March 20, 2007, the Shareholders’ Meeting of CEMTECK Changshu passed a resolution on the increase of CEMTECK Changshu’s registered capital with the surplus accumulation fund and the undistributed profit, which amounted to RMB14.84 million. Hence, the registered capital increased to RMB20 million. On August 16, 2008, the Shareholders’ Meeting of CEMTECK Changshu passed a resolution on the transfer of the shares possessed by Changshu Qiangsheng, which was 50% of the shares of CEMTECK Changshu, to Tianjin Zhongtian.

7. *Shareholder’s name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder’s Name	Amount of Investment	Equity Ratio (%)
1	CEMTECK	1,000.00	50.00
2	Tianjin Zhongtian	1,000.00	50.00
3	Total	<u>2,000.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008***Financial Status Statement***Unit: RMB10,000*

Items	2005	Dec 31st,		Aug 31st, 2008
		2006	2007	
Total assets	11,080.90	9,169.59	17,162.43	20,758.60
Total liabilities	9,937.91	6,385.25	13,478.64	16,254.34
Net assets	1,142.99	2,784.34	3,683.79	4,504.26
Debt/Equity ratio	89.69%	69.64%	78.54%	78.30%
Liquidity ratio	0.95	1.28	0.91	0.95

Summary of Operation Status*Unit: RMB10,000*

Item	2005	2006	2007	January – August
				2008
Income of Main business	9,523.01	9,854.16	14,621.74	13,091.25
Cost of Main business	6,958.02	7,300.13	11,057.08	10,536.03
Net profit	363.43	862.15	819.31	686.84
Return on equity	31.80%	30.96%	22.23%	15.25%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

CEMTECK Changshu grew out of Changshu Metallurgical and Mining Machinery Plant and has engaged in the manufacture of mine crushing plant for over thirty years. Through years of development, now CEMTECK Changshu has become a high-new technology enterprise integrating scientific research and development with design, manufacture, supply, technical consultation and service. CEMTECK Changshu has passed ISO9000 quality assurance system certification in 2000. It realizes the computer network management and adopts CAD computer auxiliary design for product development.

The major products include the one-step hammer type crushing plant, the heavy apron feeder, the overpressure turbine crushing plant, the fluctuation roller feeder, the toothed rolls type crushing plant and the secondary crusher, etc.

CEMTECK Changshu has strong technical strength. By relying upon the technology developed by qualified crusher expert Mr. Liao Zhengguang, by far CEMTECK Changshu has developed and designed a great variety of crushing plant and feeder and manufactured over 500 large and small mine crushing equipment and laid a solid foundation for China cement production industry. CEMTECK Changshu's newly developed seventh generation one-step hammer type crushing plant, hard substance overpressure turbine crushing plant and heavy apron feeder have won the national patent and taken the lead in China.

CEMTECK Changshu focuses on the development of mine crushing equipment and receives the favorable comment from numerous customers both at home and abroad for high product quality and satisfactory after service. The products are exported to Albania, Iran, Vietnam, Burma, etc. The renowned cement enterprise groups, such as Heidelberg, Lafarge, Conch, Huaxin, Jilin Yatai, Hongta Group, all use the crushing equipment manufactured by CEMTECK Changshu.

(VIII) Profile of Assets Owner — Tianjin Shiming Machinery and Electrical Spare Parts Co., Ltd. (Tianjin Shiming)

1. *Company name:* Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd. (Tianjin Shiming)
2. *Address:* Huoju Building, Beichen Science & Technology Park
3. *Legal representative:* Yu Xingmin
4. *Registered capital:* RMB10 million
5. *Business scope:* Manufacture, sales, storage, technical consultation and service concerned with the building material, metallurgical, chemical, electric machinery and equipment, environmental protection equipment, electric automatic control equipment, mining equipment and the accessories of the aforesaid equipment.

6. *History and background:* On June 8, 2006, CEMTECK Group Co., Ltd. and Tianjin Zhongtian made joint investment and established Tianjin Shiming Machinery and Electrical Spare Parts Co., Ltd. (Tianjin Shiming) with the registered capital of RMB10 million. CEMTECK Zibo invested RMB5.50 million, accounting for 55% of the total; Tianjin Zhongtian invested RMB4.50 million, accounting for 45%.
7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	CEMTECK	550.00	55.00
2	Tianjin Zhongtian	450.00	45.00
3	Total	<u>1,000.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Status

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets		1,592.44	5,238.22	7,101.69
Total liabilities		607.82	3,791.69	5,445.19
Net assets		984.61	1,446.52	1,656.50
Debt/Equity ratio		38.17%	72.39%	76.67%
Liquidity ratio		2.62	1.38	1.30

Summary of Operation Status

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business		100.64	3,152.76	4,043.97
Cost of core business		59.29	2,260.05	3,092.58
Net profit		-15.39	461.79	610.32
Return on equity		-1.56%	31.92%	36.84%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

Tianjin Shiming actively applies modern advanced logistics ideas and sets up the strategic logistics management mode and information network system and provide cement production enterprises with spare parts and components and the related technical service.

(IX) **Profile of the Assets Owner—CEMTECK Powder Technology Machinery Co., Ltd.**

1. *Company name:* CEMTECK Powder Technology Machinery Co., Ltd. (hereinafter “CEMTECK Powder”)
2. *Address:* 198, No.9 Xingzhong Road, Beichen Science & Technology Zone, Tianjin New Technology Industry Park
3. *Legal representative:* Yu Xingmin
4. *Registered capital:* RMB3 million
5. *Business scope:* Research, development, manufacture and sales of power equipment and spare parts and the associated technical consulting service.

6. *History and background:* On October 15, 2003, CEMTECK and Tianjin Zhongtian established the joint venture CEMTECK Power, with the registered capital of RMB3 million. CEMTECK invested RMB2.40 million, accounting for 80% of the total; Tianjin Zhongtian invested RMB600,000, accounting for 20% of the total.
7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	CEMTECK	240.00	80.00
2	Tianjin Zhongtian	60.00	20.00
3	Total	300.00	100.00

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Status

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	2,807.05	6,393.46	17,534.67	28,950.15
Total liabilities	2,721.05	5,993.10	16,041.08	26,787.39
Net assets	86.00	400.36	1,493.59	2,162.76
Debt/Equity ratio	96.94%	93.74%	91.48%	92.53%
Liquidity ratio	1.04	1.07	1.11	1.09

Summary of Operation Status

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	2,293.19	2,971.77	14,071	14,143.89
Cost of core business	2,283.75	2,446.57	12,048	11,486.12
Net profit	-140.44	297.51	1,091	1,743.40
Return of equity	-163.30%	74.31%	73.05%	80.61%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

CEMTECK Powder Technology Machinery Co., Ltd. (hereinafter “CEMTECK Powder”) is a subsidiary company of CEMTECK Group Co., Ltd. CEMTECK Powder specializes in the development, design, manufacture, technical consultation and service of the power equipment and has the qualification of an independent legal person. It applies computer finite element analysis, three-dimensional analog and CAD auxiliary design for equipment development and design and has a professional personnel team. CEMTECK Powder has realized the computerized management and passed ISO9001 quality system certification. It mainly produces TRM series roller mill, which can be widely applied in cement, electric power, metallurgy and chemical and coal industry.

TRM25 type roller mill, independently developed by CEMTECK Powder in 1991, has passed the ministerial evaluation and won the ministerial third prize for technological progress. In March 2006, TRM series roller mill was awarded “China’s famous brand of building material machinery industry” by China Building Material Machinery Association. In May 2006, TRM series roller mill was awarded “China’s famous brand” by National Technical Committee for Standardization of Building Material Industrial Machinery Standardization. In May 2006, TRMS31.31 type slag roller mill passed the evaluation of China Building Material Association.

(X) **Profile of Assets Owner — Jiangsu Sinoma Cement Technology Equipment Co., Ltd.**

1. *Company name:* Jiangsu Sinoma Cement Technology Equipment Co., Ltd. (hereinafter “Jiangsu Sinoma”)
2. *Address:* 106 Jiangjun Avenue, Jingning District, Nanjing
3. *Legal representative:* Niu Yanlin
4. *Registered capital:* RMB72.22 million
5. *Business scope:* Research, development, sales, installation of cement mechanical equipment, instruments and meters and automatic control equipment and the associated technical consultation, technical service and technical transfer; self-operation and agency business concerned with the export and import of various commodities and technologies, engineering management service, industrial investment and asset management.
6. *History and background:* On July 26, 2007, 8 natural persons, including He Shubin et al. made joint investment and established Jiangsu Sinoma Cement Technology Equipment Co., Ltd. (hereinafter “Jiangsu Sinoma”). On August 20, 2007, Jiangsu Sinoma’s registered capital increased from RMB32.50 million to RMB72.22 million. The increased capital RMB39.72 million was contributed by Sinoma International. After capital increase, Sinoma International held 55% of the shares, whereas He Shubin et al. held 45% of the shares. On August 18, 2008, Liu Longhan, Ji Tongning and He Shubin signed Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (11.03%, 16.80%, 17.17% respectively) to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	3,972.00	55.00
2	Tianjin Zhongtian	3,250.00	45.00
	Total	<u>7,222.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Status

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets			19,947.97	59,844.25
Total liabilities			11,085.35	50,783.32
Net assets			8,862.62	9,060.93
Debt/Equity ratio			55.57%	84.86%
Liquidity ratio			1.45	1.01

Summary of Operation Status

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business			2,441.88	14,481.15
Cost of core business			595.16	11,465.62
Net profit			929.61	1,702.97
Return of equity			10.49%	18.79%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, area and Market Position*

Jiangsu Sinoma mainly specializes in the production of the machines used by the cement mill, including the grid cooling machine, pre-heater, combustor, tertiary pipe fittings, screening machine, rotary kiln, mill, stocking and reclaiming equipment, breaking machine and plate feeding machine. The products are mainly sold to the cement mills in Jiangsu and Fujian. Jiangsu Sinoma was established on July 26, 2007. Presently, it occupies low market share.

(XI) Profile of Assets Owner — Tangshan Sinoma Heavy Machinery Co., Ltd.

1. *Company name:* Tangshan Sinoma Heavy Machinery Co., Ltd.
(hereinafter "Tangshan Sinoma")
2. *Address:* West Gengyang Street, Fengrun District, Tangshan
3. *Legal representative:* Xing Tao
4. *Registered capital:* RMB44.16 million
5. *Business scope:* Manufacture and sales of the environmental equipment, building material industrial equipment, transmission equipment, hoisting machinery, light steel structure, net rack structure, power distribution control equipment and non-standard equipment and the associated technical development, transfer and service; export business concerned with the self-owned products and technologies and the import business concerned with the required mechanical equipment, raw and auxiliary materials and technologies; general freight transport.

6. *History and background:*

On January 27, 2003, China Building Materials Tangshan Installation Engineering Corporation, Tangshan Zhongtang Engineering Design Consultation Co., Ltd. and 8 natural persons, including Lu Fengming et al. made joint investment and established Tangshan Sinoma Heavy Machinery Co., Ltd. (hereinafter "Tangshan Sinoma") with the registered capital of RMB10 million. China Building Materials Tangshan Installation Engineering Corporation invested RMB3.84 million, accounting for 38.40% of the total; Tangshan Zhongtang Engineering Design Consultation Co., Ltd. invested RMB1 million, accounting for 10.00%. In June 2003, China Building Materials Tangshan Installation Engineering Corporation transferred the shares of Tangshan Sinoma (11.9%) to Liu Zhenhua. In October 2003, Yang Aohui transferred the shares of Tangshan Zhongtang (6.5%) to Sun Zhisheng. In December 2004, China Building Materials Tangshan Installation Engineering Corporation transferred the shares of Tangshan Sinoma (5%, 6.5%, 15% respectively) to Tangshan Zhongtang Engineering Design Consultation Co., Ltd., Tangshan Zhongtang Investment Development Co., Ltd. and Henan Sinoma Engineering Design Consultation Co., Ltd. separately; Wang Zhixue, Ma Lianhui, Lu Fengming, Liu Jianying, Deng Zhaohui, Yin Wenjie and Sun Zhisheng transferred the shares of Tangshan Sinoma (6.5% each) to Tangshan Zhongtang Investment Development Co., Ltd.; Liu Zhenhua transferred the shares of Tangshan Sinoma (18%) to Tangshan Zhongtang Investment Development Co., Ltd. Hence Tangshan Zhongtang Investment Development Co., Ltd. possessed 70% of the shares of Tangshan Sinoma after transfer. On March 15, 2005, Henan Sinoma Engineering Design Consultation Co., Ltd. transferred the shares of Tangshan Sinoma (15%) to the controlling shareholder Tangshan Zhongtang Investment Development Co., Ltd. Tangshan Zhongtang Investment Development Co., Ltd. possessed 85% of the shares of Tangshan Sinoma. In June 2005, Tangshan Zhongtang Investment Development Co., Ltd. transferred the shares of Tangshan Sinoma (30%) to Zhao Hongguan.

In November 2005, Tangshan Zhongtang Investment Development Co., Ltd. transferred the shares of Tangshan Sinoma (25%) to Wang Yanjing; Wang Yanjing transferred the shares of Tangshan Sinoma (25%) to Sinoma International; Zhao Hongguan transferred the shares of Tangshan Sinoma (30%) to Sinoma International. Thus, Sinoma International possessed 55% of the shares of Tangshan Sinoma. In May 2006, Tangshan Zhongtang Investment Development Co., Ltd. transferred 15% of the shares of Tangshan Sinoma to Liu Jianying and Yin Wenjie separately; Tangshan Zhongtang Engineering Design Consultation Co., Ltd. transferred 15% of the shares of Tangshan Sinoma to Wang Zhixue. In August 2006, Tangshan Sinoma's registered capital increased from RMB10 million to RMB44.16 million, and all existing shareholders increased capital investment in line with its proportion of shares in Tangshan Sinoma.

On August 20, 2008, Sun Zhisheng, Wang Zhixue and Liu Zhenhua signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (15%, 15%, 15%) to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	2,429.00	55.00
2	Tianjin Zhongtian	<u>1,987.00</u>	<u>45.00</u>
3	Total	<u><u>4,416.00</u></u>	<u><u>100.00</u></u>

8. *Financial and Operation Status between 2005 and August 31, 2008***Summary of Financial Statement***Unit: RMB10,000*

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	8,240.99	29,435.30	25,714.78	29,472.63
Total liabilities	6,039.63	22,713.48	18,272.67	23,340.32
Net assets	2,201.36	6,721.82	7,442.11	6,132.31
Debt/Equity ratio	73.29%	77.16%	70.67%	79.19%
Liquidity ratio	0.53	0.96	0.87	0.81

Summary of Operation*Unit: RMB10,000*

Item	2005	2006	2007	January – August 2008
Income of core business	4,409.38	26,801.35	35,663.94	20,374.56
Cost of core business	3,782.51	25,174.33	33,203.95	18,206.97
Net profit	706.11	1,103.88	1,640	1,151.18
Return of equity	6.85%	24.74%	23.16%	18.77%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

Tangshan Sinoma is a shareholding controlled subsidiary and the manufacture and export base of Sinoma International for large engineering equipment. It is also the biggest rotary kiln and tube mill (Φ5m*15.79m, unit weight: 190t) production base in China. The major products include: rotary kiln, tube mill, vertical mill, stocking and reclaiming equipment, grid cooling machine, energy saving and environmental protection type decomposing furnace, bag filter, pre-heater and large steel member. Tangshan Sinoma is located in Chengnan Industrial Park, Fengrun District, Tangshan, Hebei. It occupies an area of 15.3 hectares. The building area is 39,000m²; the annual production capacity is over 50,000t. Along with the continuous

development, Tangshan Sinoma has become a main force in the building materials and machinery industry and the manufacture and export base of Sinoma International for the large engineering equipment.

(XII) Profile of Assets Owner — CBMI Construction Co., Ltd.

1. *Company name:* CBMI Construction Co., Ltd. (hereinafter “CBMI Construction”)
2. *Address:* 7 Xingfu Road, Fengrun District, Tangshan
3. *Legal representative:* Peng Jianxin
4. *Registered capital:* RMB72.58 million
5. *Business scope:* General contractor of smelting and house construction engineering; specialized contractor of the installation of smelting electromechanical devices, hosting equipment, anti-corrosion and heat preservation engineering, furnace kiln engineering; manufacture of the complete set of smelting equipment; manufacture and erection of pressure vessel, steel structure and net rack structure; engineering consultation; self-operation and agency business concerned with the export and import of various commodities and technologies, the processing with imported materials and the “three types of processing plus compensation trades”; counter trade and transit trade; contract for overseas projects, domestic and international bidding projects; export of the equipment and materials required for overseas projects; contract workers; general freight transport.

6. *History and background:* On November 13, 2002, Sinoma International and 15 natural persons, including Lu Fengming et al. established CBMI Construction with the registered capital of RMB72.58 million. Sinoma International invested RMB55.58 million, accounting for 76.58% of the total.

On August 20, 2008, Wang Zhixue, Yin Zhisong, Sun Zhisheng, Liu Zhenhua and Chen Xinian signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	5,558.00	76.58
2	Tianjin Zhongtian	1,700.00	23.42
	Total	<u>7,258.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Statement

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	103,875.97	113,809.41	106,326.72	228,331.33
Total liabilities	88,462.01	97,887.80	87,606.64	212,893.93
Net assets	15,413.96	15,921.61	18,720.08	15,437.41
Debt/Equity ratio	85.16%	86.01%	82.39%	93.24%
Liquidity ratio	1.07	1.07	1.10	1.02

Summary of Operation

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	94,416.32	121,674.14	163,453.99	130,251.41
Cost of core business	82,952.44	112,659.81	148,846.37	118,430.47
Net profit	4,415.23	3,854.28	6,241.32	8,342.34
Return of equity	28.64%	24.21%	33.34%	54.04%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

CBMI Construction Co., Ltd. has the export operation right and the export and import right and is the grade A general engineering contractor. It is located in Tangshan, Hebei and has more than 1,000 registered employees, over 80% of which are management and technical personnel.

CBMI Construction has undertaken most of the cement production line key construction projects of China cement industry, including a lot of foreign investment projects and the cement production line projects with daily output of over 4,000t cement clinkers. CBMI Construction has accumulatively built more than 100 cement production lines and made the history of China cement industry. The outstanding achievements include, the introduction of the first imported technical production line, the independent development of the first dry process rotary kiln production line, the introduction of the first production line with domestic and foreign joint investment, the first international general contracting mode turn-key project, the first cement production line exported to the developed countries and the first production line with daily output of 10,000t cement clinker. After entering into the 21st century, CBMI Construction has successfully realized the transformation of international business development strategy and taken the lead in launching into international market.

(XIII) Profile of Assets Owner — China National Building Material Equipment Co. Ltd.

1. *Company name:* China National Building Material Equipment Co. Ltd. (CBMEC)
2. *Address:* Room 1201, Ganjiakou Building, 17 Sanlihe Road, Haidian District, Beijing
3. *Legal representative:* Fang Fang
4. *Registered capital:* RMB22 million
5. *Business scope:* Sales and service of the complete set of equipment used for building material engineering, universal equipment, associated fittings, building materials and glass membrane; export and import of goods and technologies, export and import agent; contract for overseas electromechanical projects, domestic and international bidding projects; export of the equipment and materials required for aforesaid overseas projects; export of the contract workers required for aforesaid overseas projects; general construction contractor; development of technical equipment and building materials; product research, development and sales; building material engineering design; technical development, service, transfer, consultation and engineering design technical training.
6. *History and background:* China National Building Material Equipment Co. Ltd. grew out of China Building Material Equipment Corp. Fittings Repair Co., Ltd. and was established on June 3, 1988. It is a wholly-owned subsidiary of China Building Material Equipment Corporation. The registered capital is RMB1.50 million. It was renamed China Building Material Technical Equipment Fittings Co., Ltd. in 1991 and China Building Material

Equipment Co., Ltd. in 2003. On August 16, 2004, according to the Official Reply on the Capital Increase and the Establishment of Modern Enterprise System of China Building Material Equipment Co., Ltd. (China Non-Metallic-Engineering Document No.[2004]450) issued by China National Materials Industry Group Corporation, it was converted to limited liability company and the registered capital increased to RMB6 million. China National Geological Exploration Center of Building Materials Industry invested RMB3.3364 million, accounting for 55.60%; China Building Material Equipment Corporation made an investment with the net total assets of RMB563,600 at the evaluation reference date of March 31, 2004, accounting for 9.40%; 3 natural persons invested RMB2.10 million, accounting for 35%. On August 22, 2005, 55.6% of the shares possessed by China National Geological Exploration Center of Building Materials Industry and 9.4% of the shares possessed by China Building Material Equipment Corporation were transferred to China National Non-Metallic Materials Corporation for nil consideration. China National Non-Metallic Materials Corporation transferred 65% of the shares to Tianjin Cement Institute on the same day. In December 2005, CBMEC increased the capital with the audited undistributed profit by November 30, 2005; hence the registered capital increased to RMB22 million. On December 20, 2006, Tianjin Cement Institute transferred its 65% shares in CBMEC to Sinoma International.

On August 20, 2008, Meng Qinglin, Shen Jianlong and Gao Chao signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (13.48%, 8.54%, 12.98%) to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	1,430.00	65.00
2	Tianjin Zhongtian	770.00	35.00
	Total	<u>2,200.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Statement

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	31,755.29	58,337.08	62,118.66	76,374.84
Total liabilities	27,611.27	50,401.39	52,045.88	68,685.63
Net assets	4,144.02	7,935.69	10,072.79	7,689.21
Debt/Equity ratio	86.95%	86.40%	83.78%	89.93%
Liquidity ratio	1.14	1.09	1.10	1.04

Summary of Operation

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	32,023.62	76,896.63	56,968.81	92,999.82
Cost of core business	21,285.28	67,524.17	49,504.77	84,283.41
Net profit	3,377.31	4,230.16	3,241.01	2,950.15
Return of equity	81.50%	53.31%	32.18%	38.37%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

CBMEC has developed rapidly after transformation and made outstanding achievements in the international cement engineering field:

- a. In the early 2005, undertook UCC 10,000t/d cement production line project in United Arab Emirates, which was one of the biggest cement production line projects in the world. The success of this project marked CBMEC made great progress in general contracting for cement engineering projects and successfully launched into the international market.
- b. In 2006, undertook the cement pulverizing station project of the world-famous CEMEX Corp. in United Arab Emirates, the construction cost of which was USD40 million. At the end of 2007, it passed performance examination at one time and created favorable international influence for brand construction.
- c. In 2006, undertook another 10,000t/d cement production line ABMC project in United Arab Emirates, the total construction cost of which was USD276 million. Presently, the project is proceeding smoothly.
- d. In October 2007, undertook 4,000t/d cement clinker production line in Oman, the total construction cost of which was USD162 million. Presently, the project is proceeding smoothly.
- e. Actively explore the Southeast Asian market. Undertake the pulverizing station project in Vietnam with the contract value of USD13.18 million. Presently, the equipment has been consigned to Vietnam; undertake Dian Bien Project with the contract value of USD23.588 million. Presently, it is in the construction stage.
- f. In 2007, undertook the pulverizing station project in Turkey with the contract value of USD18.21 million. Presently, the project is proceeding smoothly.

In February 2006, got the yellow card product certificate for 10,000t/d cement production line technology and obtained the qualification for foreign engineering contracting, which laid a solid foundation for future development.

In addition, CBMEC actively develops the international famous brand agency business. The glass membrane agency business develops rapidly.

(XIV) Profile of Assets Owner – Chengdu Design and Research Institute of Building Materials Industry Co., Ltd.

1. *Company name:* Chengdu Design and Research Institute of Building Materials Industry Co., Ltd. (Chengdu Design)
2. *Address:* 331 Xinhong Road, Chengdu
3. *Legal representative:* Jiao Feng
4. *Registered capital:* RMB50 million
5. *Business scope:* Building material and non-metallic material research, development, engineering design, engineering general contracting, engineering supervision, equipment manufacture as well as the complete set of equipment, technical consultation, technical transfer, technical service; architectural engineering design, engineering general contracting and engineering supervision, environmental impact assessment, municipal public works design and supervision, foreign engineering design; computer network engineering; industrialization of new materials and technologies; industrial automatic control system integration, manufacture of electromechanical products; self-operation and agency business concerned with the export and import of various commodities and technologies, except for the commodities and technologies that are forbidden or restricted for export and import.

6. *History and background:*

On November 8, 2002, according to the Official Reply on the Transformation of Chengdu Design and Research Institute of Building Materials Industry Co., Ltd. (China Non-Metallic Document No.[2002]54) issued by China Non-Metallic Materials Corporation, the former Chengdu Building Materials Industry Design & Research Institute was transformed into Chengdu Design and Research Institute of Building Materials Industry Co., Ltd. On November 28, 2002, Sinoma International, Chengdu Jixin Science & Technology Industry Co., Ltd. and 3 natural persons made joint investment and established Chengdu Design with the registered capital of RMB19.20 million. Sinoma International made an investment of RMB10.20 million in the form of cash and net assets, accounting for 53.125%; Chengdu Jixin Science & Technology Industry Co., Ltd. made an investment of RMB5.80 million in cash, accounting for 30.208%; 3 natural persons invested RMB3.20 million, accounting for 16.667%. On October 26, 2005, Chengdu Design Shareholders' Meeting passed a resolution on the transfer of the shares possessed by Chengdu Jixin Science & Technology Industry Co., Ltd., which accounted for 30.208%, to the other natural person shareholders. In July 2006, the Temporarily Shareholders' Meeting passed a resolution on the capital increase with the surplus accumulation fund and the undistributed profit up to March 31, 2006. Hence, Chengdu Design's total registered capital increased to RMB50 million.

On August 22, 2008, Feng Yan, Wu Hong and Hao Ruqing signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (30.208%, 11.459%, 5.208% respectively) to Tianjin Zhongtian.

7. Shareholder's name, amount of investment and equity ratio by the evaluation reference date:

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	2,656.25	53.125
2	Tianjin Zhongtian	2,343.75	46.875
	Grand Total	5,000	100

8. Financial and Operation Status between 2005 and August 31, 2008

Summary of Financial Statement

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	78,087.54	66,542.36	84,401.05	139,081.13
Total liabilities	71,465.00	55,106.67	70,832.18	127,705.37
Net assets	6,622.54	11,435.69	13,568.87	11,375.76
Debt/Equity ratio	91.51%	82.31%	83.92%	91.82%
Liquidity ratio	1.05	1.09	1.10	1.04

Summary of Operation Status

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	85,312.64	80,270.04	72,321.05	108,201.86
Cost of core business	79,043.85	69,900.32	63,927.76	99,301.24
Net profit	2,888.70	5,287.72	4,387.97	4,771.00
Return of equity	43.62%	46.24%	32.34%	41.94%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

Chengdu Design and Research Institute of Building Materials Industry Co., Ltd. (Chengdu Design) is a large design and research institute of China building industry, which integrates cement scientific research and development with engineering design, general engineering contracting, equipment manufacture, technical consultation engineering supervision and technical service. Through continuous technical innovation and scientific research and development, Chengdu Design has formed the main technologies and equipment for the new type dry process cement production line ranging from 1000t/d to 10,000t/d with the independent intellectual property.

Ever since the founding, Chengdu Design has completed several hundred engineering design projects and more than 100 scientific research and development projects. In the field of pre-heat pre-decomposition system, through independent innovation, Chengdu Design successfully developed CDC clinker calcination technology with independent intellectual property and applied it to the engineering construction of cement mill in 1996. Through years of practice, Chengdu Design has attached great importance to the continuous upgrade and innovation of core technology, summarized the actual application effect of the existing clinker calcination technology and made theoretical analysis, set up the new mode and made experiment and put it in practice. Therefore, Chengdu Design has successfully realized the upgrade of Chengdu Design new type dry process calcination technology and applied it to the clinker production line ranging from 1000t/d to 10000t/d. The pre-heat pre-decomposition system features largely in small resistance, high decomposition rate, strong fuel adaptability, excellent anti-blocking performance, high operation flexibility and strong production reliability.

As to the calcination equipment, Chengdu Design develops and designs the new type dry process rotary kiln ranging from $\Phi 3$ m x 48 m to $\Phi 6.2$ m x 96 m; as to the clinker cooling equipment, Chengdu Design absorbs the advanced technologies both at home and abroad and develops LBTF new type air grid cooling machine and widely applies it to the engineering design projects ranging from 1000t/d to 10,000 t/d.

With regard to the pulverizing equipment, Chengdu Design develops and designs multiple specifications of tail-discharging type drying mill, air swept mill, large mid-discharging type crawler shoe drying mill, mini-medium cement mill, large crawler shoe cement mill, CDRM vertical mill, CDG series roller press as well as the composite type

powder screening machine and dynamic powder screening machine. These pulverizing equipment are widely applied to the engineering design projects and help to reduce the consumption of electricity and obtain the good effect.

In the field of raw and crude material pre-homogenizing equipment, Chengdu Design develops and designs multiple specifications of rectangular and round pre-homogenizing stockyard and reclaiming machine and the high performance crude material homogenizing room.

In the field of environmental protection equipment, Chengdu Design develops and designs the kiln end and head large pulse bag type dust collector, the high concentration air box bag type dust collector and the large coal mill bag type dust collector.

In the field of control equipment, Chengdu Design develops and designs DCS centralization control system, FCS field overall control system and crude material quality control (QCS) system.

In the field of resource utilization, the completion of Guangdong Guangying 2,500t/d 100% anthracite calcination cement clinker production line marks Chengdu Design has made a breakthrough in the utilization of anthracite for the calcination of cement clinker; the completion of Yibin Tian Company's cement production line with the main raw material of acetylene sludge meets the national development strategy of developing energetically cyclic economy and realizing the sustainable development of economy and society, makes Chengdu Design enjoy a high reputation in the chemical industry and lays a solid foundation for Chengdu Design to utilize the industrial waste residue to produce cement; in compliance with the policy of reducing resource consumption and realizing the sustainable development of cyclic economy, Chengdu Design actively carries out the research and development of the pure low-temperature remaining heat electric power generation technology and the sludge calcination technology. These core technologies make Chengdu Design gain strong competitive power.

(15) Profile of Assets Owner – Sinoma (Suzhou) Construction Co., Ltd.

1. *Company name:* Sinoma (Suzhou) Construction Co., Ltd. (hereinafter "Sinoma Suzhou")
2. *Address:* 2 West Qianjin Road, Kunshan, Jiangsu
3. *Legal representative:* Shen Jun
4. *Registered capital:* RMB50.08 million

5. *Business scope:* Specialized contractor for building material industry engineering construction, smelting electromechanical equipment installation, hoisting equipment installation engineering and steel structure engineering; repair of building material equipment; complete set of related equipment, engineering technical consultation; self-operation and agency business concerned with the export and import of various commodities and technologies; dispatch of contract workers.
6. *History and background:* On December 19, 2002, CBMI Construction Co., Ltd. and 4 natural persons, including Yin Zhisong et al. made joint investment and established Sinoma Suzhou with the registered capital of RMB22.88 million. CBMI Construction invested RMB18.74 million, accounting for 81.91%. In August 2006, Sinoma Suzhou's registered capital increased from RMB22.88 million to RMB50.08 million. The increased capital contribution of Sinoma International was RMB22.28 million, accounting for 44.49% of the registered capital. CBMI Construction's shares reduced to 37.42%.
- On July 29, 2008, He Jiabin, Zhou Yangming and Yin Zhisong signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (4.37%, 4.97%, 8.75% respectively) to Tianjin Zhongtian.
7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	Sinoma International	2,288.00	44.49
2	CBMI Construction Co., Ltd.	1,874.00	37.42
3	Tianjin Zhongtian	906.00	18.09
	Total	<u>5,008.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008***Summary of Financial Statement***Unit: RMB10,000*

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	25,702.93	35,063.72	48,581.03	74,016.04
Total liabilities	21,249.54	26,718.22	38,434.95	65,475.65
Net assets	4,453.39	8,345.50	10,146.08	8,540.39
Debt/Equity ratio	82.67%	76.20%	79.12%	88.46%
Liquidity ratio	1.09	1.16	1.08	0.99

Summary of Operation*Unit: RMB10,000*

Item	2005	2006	2007	January – August 2008
Income of core business	54,192.10	67,255.12	78,337.18	65,895.65
Cost of core business	49,047.76	60,339.53	69,092.84	57,418.21
Net profit	1,284.46	1,963.90	2,607.60	2,601.14
Return of equity	28.84%	23.53%	25.70%	30.46%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

Sinoma Suzhou's partners include Conch Group, Tianrui Group (70% of its cement engineering projects), Ningxia Saima Group (95%), Shaanxi Yaobai Cement Group (100%), China Resource Cement (80%) and Sichuan cement market (approximately 30%). Market position: Approximately 55% of domestic market share under SINOMA and 10% of overseas market share.

(XVI) Profile of Assets Owner — Sinoma (Handan) Construction Co., Ltd.

1. *Company name:* Sinoma (Handan) Construction Co., Ltd.
(hereinafter "Sinoma Handan")
2. *Address:* 87 Jianshe Street, Handan
3. *Legal representative:* Zhao Huifeng
4. *Registered capital:* RMB15.65 million
5. *Business scope:* Specialized contractor for smelting engineering, equipment installation; manufacture, sales and installation of building material equipment, hoisting equipment, net rack and steel structure (see the qualification certificate for the business scope); export and import business of goods and technologies (except for those requiring advanced examination and approval); contract for overseas smelting electromechanical equipment installation, steel structure, furnace kiln engineering, domestic and international bidding projects; export of the equipment and materials required for the aforesaid overseas projects; dispatch of the contractor workers required for the aforesaid overseas projects.
6. *History and background:*

On December 27, 2002, CBMI Construction and 3 natural persons, including Wang Jun et al. established Sinoma Handan with the registered capital of RMB15.65 million. CBMI Construction invested RMB12.90 million, accounting for 82.40% of the total.

On August 12, 2008, Wang Jun, Zhu Min'an and Han Zhanjing signed the Share Transfer Agreement with Tianjin Zhongtian separately on the transfer of their shares (6.39%, 6.39%, 4.79%) to Tianjin Zhongtian.

7. *Shareholder's name, amount of investment and equity ratio by the evaluation reference date:*

Unit: RMB10,000

No.	Shareholder's Name	Amount of Investment	Equity Ratio (%)
1	CBMI Construction Co., Ltd.	1,290.00	82.43
2	Tianjin Zhongtian	906.00	17.57
3	Total	<u>1,565.00</u>	<u>100.00</u>

8. *Financial and Operation Status between 2005 and August 31, 2008*

Summary of Financial Statement

Unit: RMB10,000

Items	2005	Dec 31st, 2006	2007	Aug 31st, 2008
Total assets	13,889.67	15,267.97	28,048.73	32,313.99
Total liabilities	10,605.37	11,378.68	22,532.35	27,515.58
Net assets	3,284.30	3,889.29	5,516.38	4,798.41
Debt/Equity ratio	76.35%	74.53%	80.33%	85.15%
Liquidity ratio	1.08	1.10	1.11	1.07

Summary of Operation Status

Unit: RMB10,000

Item	2005	2006	2007	January – August 2008
Income of core business	46,563.42	29,965.14	50,050.04	39,523.43
Cost of core business	41,730.14	24,465.89	46,752.18	32,905.33
Net profit	1,014.68	1,325.18	2,197.58	2,522.23
Return of equity	30.89%	34.07%	39.84%	52.56%

Reanda Certified Public Accountants audited the financial and operation status between 2006 and August 31, 2008 and issued the Unqualified Opinion Audit Report.

9. *Industry, Place and Market Position*

Sinoma Handan is a renowned cement engineering construction company. It is the grade A specialized contractor approved by the Ministry of Construction for the smelting electromechanical equipment installation engineering, steel structure engineering and furnace kiln engineering. Sinoma Handan has the right to contract for overseas engineering projects and has labor operation right and the goods export and import right. Sinoma Handan has successfully built nearly 100 dry process cement production lines.

The entrusting party and the assets owners have property relationship.

II PURPOSE OF EVALUATION

Sinoma International is intended to make private placement of its shares to Tianjin Zhongtian, which plans to purchase the shares with equity of its 14 subsidiaries. Sinoma International has entrusted Beijing Pan-China Assets Appraisal Co., Ltd. to conduct evaluation to the open market value of assets involved in the economic activities for subscription of shares by Tianjin Zhongtian for purpose of providing reference for the economic activities of private placement in terms of value.

III OBJECT AND SCOPE OF THE EVALUATION

3.1 Object and Scope of the Evaluation

The object of the evaluation constitutes assets for subscription of private placement of Sinoma International's shares planned by Tianjin Zhongtian; the scope of the evaluation constitutes assets and liabilities of all assets owners listed in the following table. The specific scopes of the evaluation are subject to assets evaluation declaration form delivered by the assets owners.

No.	The proportion of shares hold by the property holders	Asset owners
1	7%	TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd
2	45%	Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd
3	5%	Tianjin Electricity & Automation Control Engineering Co., Ltd.
4	35%	CEMTECK (Zibo) Machinery Co., Ltd
5	50%	CEMTECK Changshu Shiming Heavy Machinery Co., Ltd

No.	The proportion of shares hold by the property holders	Asset owners
6	45%	Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd
7	20%	CEMTECK Powder Technology Machinery Co., Ltd
8	45%	Jiangsu Sinoma Cement Technology Equipment Co., Ltd
9	45%	Tangshan Sinoma Heavy Machinery Co., Ltd
10	23.42%	CBMI Construction Co., Ltd
11	35%	China National Building Material Equipment Co., Ltd
12	46.875%	Chengdu Design and Research Institute of Building Materials Industry
13	18.09%	Sinoma (Suzhou) Construction Co., Ltd
14	17.57%	Sinoma (Handan) Construction Co., Ltd

Being verified, the assets owners have intangible assets with no book entry.

The objects and scopes of this evaluation are consistent with those involved in the economic activities. Reanda CPA Co., Ltd has audited the assets within the scope of the evaluation, issuing unqualified-opinion audit report.

3.2 Basic Information of Assets within the Scope of the Evaluation

3.2.1 Status of Ownership of Assets Entrusted for Evaluation

The appraisers have verified the article of association, all previous assets verification report for change of equity of assets owners, and shareholder capital contribution certificate with base day of the evaluation valid as well as referred to information in regard to property right of physical assets of assets owners such as inventory and machineries. The ownership is clear-cut and indefective.

3.2.2 Economic Status of the Assets Entrusted for the Evaluation

The appraisers have inspected the economic status of the assets entrusted for the evaluation and understood that all assets of the assets owners could meet the requirement for simple expanded reproduction. According to analysis of production and operation cost and capacity status, we think that all assets could be fully operated on the maximum basis without causing tremendous waste, provided that the assets owners run production and operation activities basing on current schedule.

3.2.3 *Physical Status of the Assets Entrusted for the Evaluation*

The appraisers have made on-spot survey of domestic assets of all assets owners, referred to operation and overhaul record of their fixed assets, finding that equipments are in good order; all finished products produced by assets owners have been produced, installed and debugged based on agreement, having stable physical status and normal quality. Raw materials have been purchased upon requirement; period of turnover is normally less than 6 months, with no occurrence of rejection and damage. Restricted by subjective conditions, the appraisers failed to make on-spot survey of foreign physical assets of the assets owners, and had to refer to information delivered by enterprises for operation of assets.

IV TYPE OF VALUE AND ITS DEFINITION

The type of value for the assets entrusted for the appraised is defined as market value based on objective of this evaluation and features of object of the evaluation.

The type of market value refers to the evaluated amount of value of the object for evaluation dealt in normal and fair transaction on the base day of the evaluation in the case of rational conduct of volunteering purchaser and seller without any force.

The reason that type of market value is applied is that compared with other types of value, the former is able to better reflect fairness and soundness of transaction between both parties, enabling the result of this evaluation to meet demand for the objective of this evaluation.

V BASE DAY OF THE EVALUATION

5.1 The base day of this evaluation is August 31, 2008.

5.2 The base day is selected upon negotiation and consultation by the entrusting party and property holders basing on the following conditions:

5.2.1 The base day of this evaluation is consistent with date of the financial statement, which will facilitate use of accounting information.

5.2.2 The base day of this evaluation is relatively close to the date of evaluation, which will reduce workload for adjustment, and improve accuracy and transparency of inquiry of market price and credit standing survey.

5.2.3 The base day of this evaluation is determined closely to the date of realization of the objective of the evaluation to the maximum extent, which is conducive to guarantee the result of the evaluation to effectively meet the objective of this evaluation.

- 5.3 Price standards applied in this evaluation are those valid on the base day of the evaluation.

VI BASES OF THE EVALUATION

6.1 Behavior Bases

- 6.1.1 Reply to Approval of Purchase of Assets of Private placement of SINOMAR's shares (ZCGCF[2008] #388);
- 6.1.2 Engagement letters signed between the entrusting party and Beijing Pan-China Assets Evaluation Co., Ltd.

6.2 Bases of Law and Regulation

- 6.2.1 Measures for Management of Evaluation of State-owned Assets (SC Decree #91);
- 6.2.2 Detailed Rules for Implementation of Measures for Management of Evaluation of State-owned Assets (GZBF[1992]#36);
- 6.2.3 Regulations on Several Issues regarding Management of Evaluation of State-owned Assets (MOF Decree # 14);
- 6.2.4 Circular regarding Printing and Distribution of Interim Regulation on Basic Content and Format of Assets Evaluation Report (CPZ[1999]#91);
- 6.2.5 National State-owned Assets Management Bureau's Circular regarding Forwarding "Opinion on Criterion for Operation of Assets Evaluation (Trial)" (GZBF[1996]#123);
- 6.2.6 Interim Measures for Management of Evaluation of State-owned Assets (SC SOASRC Decree # 12);
- 6.2.7 Other documents in relation to laws, regulation, policy, etc.

6.3 Bases of Rules for Evaluations

- 6.3.1 Directory Opinion on Evaluation of Value of Enterprises (Trial) (ZPX[2004]#134);
- 6.3.2 Directory Opinion on Legal Ownership of Appraised Object Concerned by Certified Public Valuer (KX[2003]# 18);
- 6.3.3 Circular regarding Printing and Distribution of Standard for Assets Evaluation-Basic Standard and Standard for Work Ethic of Assets Evaluation-Basic Standard (CQ [2004]# 20);

6.3.4 Standard for Assets Evaluation (ZPX[2007]# 189).

6.4 Bases of Property Right

6.4.1 Article of Association;

6.4.2 House and land property right certificate, and driving license;

6.4.3 Other property right documentation.

6.5 Bases of Pricing

6.5.1 2007 operation plan and budget compliance of assets owners;

6.5.2 2008 operation plan and budget of assets owners;

6.5.3 Middle and long-term development planning of assets owners;

6.5.4 Signed contracts being fulfilled or not fulfilled by assets owners;

6.5.5 Information provided on Wind Info Website on industries and comparable companies;

6.5.6 Information on stock index of Shanghai Stock Exchange and Shenzhen Stock Exchange and middle and long-term national bond trading;

6.5.7 Other information on evaluation collected by appraisers.

6.6 Other bases

6.6.1 Breakdown of assets evaluation declaration;

6.6.2 Notes to Items in Relation to Assets Evaluation prepared by the entrusting party and assets owners;

6.6.3 Information on production and operation delivered by assets owners;

6.6.4 Audit Report issued by Li'an Daxinlong CPA Co., Ltd;

6.6.5 Information acquired through on-spot verification and survey by appraisers;

6.6.6 Other information in relation to the evaluation.

VII METHODS TO THE EVALUATION

7.1 Selection of Methods to the Evaluation

There are three ways to appraise value of enterprises on the assumption of going concern, viz, assets based method, present value of earnings method, and market comparison method.

Method of present value of earnings refers to the concept of determining value of appraised object through capitalization or discount of expected earnings of appraised enterprises.

Method of market comparison refers to the concept of determining value of appraised object through comparison of the appraised objects and reference enterprises in terms of shareholder equity and equity assets such as security.

Method of assets based refers to the concept of determining value of appraised object basing on rational evaluation of all assets and liability of appraised enterprises.

Following the analysis and research of financial standing, operation and features of main business of assets owners, the appraisers deemed that the method of present value of earnings and market comparison method are the fittest for evaluation of equity value of shareholders of the assets owners. As the assets basic method is unable to reflect equity value of non-holding shareholders of assets owners, it was not applied for this evaluation.

7.2 Application of the Method of Present Value of Earnings to the Evaluation

7.2.1 *Technical Process for the Evaluation*

First of all, the appraisers determine non-operating assets and liability of assets owners through analysis of financial statement;

Secondly, they determine appraised value of the non-operating assets and liability through replacement cost method, earning method and market comparison method;

Thirdly, overall evaluation is made to major business of assets owners based on appropriate method;

Finally, equity value of all shareholders of assets owners is determining by adding the result of evaluation for non-operating assets and liability to that of major business of assets owners.

Equity value of property holders is equal to equity value of all shareholders of assets owners multiplied by proportion of shares holding.

Notes: Non-operating assets (liability) refers to assets or liability having no direct contribution to major business of enterprises or temporarily failing to make contribution to major business.

7.2.2 Introduction to Evaluation through Present Value of Earnings

The method of present value of earnings refers to the concept of determining value of appraised object through capitalization or discount of expected earnings of appraised enterprises.

The enterprise discount cash flow model is used to appraise equity value of a company by discounting cash flow of equity of a company based on appropriate discount rate, which shall reflect risk of the cash flow.

7.2.2.1 Introduction to the formula

The formula for the evaluation model selected for this evaluation is as follows:

$$\text{or equity value of shareholder} = \sum_{t=1}^n \frac{\text{cash flow of equity } t_t}{(1 + \text{capital cost of equity})^t}$$

Cash flow of equity is net cash flow after principal and interests paid to the lenders are excluded from cash flow of an enterprise.

7.2.2.2 Evaluation of cash flow

According to the selected evaluation model, free cash flow is after-tax cash flow incurring in the operating activity.

Free cash flow = pre-tax profit × (1 – income tax rate) + discount and amortization – capital expenditure-additional operating capital

Cash flow of equity = free cash flow – interest-loan repayment

7.2.2.3 Determination of discount rate

1 Model for determination of discount rate

$$E(R) = R_f + (E[R_m] - R_f)$$

In which: R_f = risk-free interest

$E(R_m)$ = Expected earning rate of market

In the case of given risk, the earning rate required by investors is capital cost of equity of the company. The difference between expected earning rate of market and risk-free interest is risk premium. As a result, the above-mentioned formula can also be:

$$R = R_f + \beta(R_m - R_f)$$

It is the frequently used formula for calculation of discount rate.

2 Determination of β

β coefficient must be evaluated for calculation of equity cost by applying capital assets pricing model whichever listed companies or non-listed companies are appraised. In the CAPM model, β parameter is referred to as risk parameter of the company. It is an parameter exclusively related with the company in itself. Every company has its own β coefficient whatever risk-free interest and risk premium are determined. To evaluate β coefficient, regression analysis is generally made to rate of the company's shares (R_j) and earning rate of the whole market:

$$R_j = a + bR_m$$

In which, a = intercept of regression curve

$$b = \text{slope of regression curve} = \text{cov}(R_j, R_m) / \sigma_m^2$$

Slope of regression curve is namely β value of shares, representing risk of investment on the shares.

3 Formula for leverage β coefficient

$$\beta_u = \frac{\beta_L}{1 + (1-t)(W_d / W_e)}$$

β_U = Financial leverage-free β coefficient

β_L = Financial leverage β coefficient

T = Tax rate applicable to the company

W_d = Weight of debt in capital structure

W_e = Weight of equity in capital structure

7.2.2.4 Period of prediction

As the life of an enterprise is uncertain, it is generally assumed that an enterprise will continue operating on infinite basis. The period of prediction is divided into two stages, detailed period of prediction and post-period, or perpetual period.

Following analysis of operation of assets owners since 2005 and discussion with management of assets owners, and summing up all factors, appraisers consider that assets owners will be at steady period of growth prior to 2012, and enter into stable stage of operation on 2012 and afterwards. As a result, detailed prediction is made to the period from September of 2008 to 2012. After 2012, predication is made based on operation performed in 2012. The above-mentioned assumption are mainly based on following considerations:

The cement industry is a about 5- year cyclical industry in itself. After it tumbled in the bottom in 2005, a new round of the circle starts. Considering the fact that given number of cement enterprises with lower capacity will exit in the coming three years, and rigid control of access to the industry, there is low possibility of fast expansion of cement capacity. It is expected that the industry will boom in 2012, and not fluctuate more violently ups and down than the previous cycle.

As a result, period of prediction of this evaluation ranges from September 2008 to 2012. The production and operation after 2012 will be maintained at the level performed in 2012.

7.3 Application of Market Comparison Method to the Evaluation

According to the market comparison method, appropriate ratio multiple of entrusted enterprises must be selected by analyzing ratio of equity (or value of all investment in the capital market) to earning parameter, assets parameter, liability-free cash flow ratio parameter of comparable companies, an then value of equity is evaluated based on such parameters as earning capability of assets owners.

7.3.1 *Ratio multiples of earning category*

Ratio multiples that is calculated based on equity (or market value of all investment capital) and earning parameter is known as ratio multiple of earning category. Frequently-used ratio multiples of earning category consists of:

- (1) Ratio multiples of market value of all investment capital to income from major business;
- (2) Ratio multiples of equity to income from major business;

- (3) Ratio multiples of market value of all investment capital to EBIT;
- (4) Ratio multiples of market value of all investment capital to EBITDA;
- (5) Ratio multiples of market value of all investment capital to gross profit.

Upon analysis, we found that there are greater difference between the comparable companies and assets owners in terms of capital structure, where it is possible that they would pay different interest, which will make no sense of our comparison. We, therefore, must eliminate influence resulting from such difference. The best way to eliminate it is to apply liability-free indicators, consisting of EBIT and EBITDA, which enable to remove influence of difference in capital structure on earnings. Liability-free ratio multiple is calculated by dividing all investment capital (equity plus creditor's rights) by appropriate earning parameter, and then equity value can be obtained by detracting creditor's right from all investment capital.

EBIT ratio multiples

Ratio multiples calculated based on market value of all investment capital and EBIT indicators maximize reduction of influence resulting from debt structure and income tax.

EBITDA ratio multiples

Ratio multiples calculated based on market value of all investment capital and EBITDA indicators maximize reduction of possible influence of difference policies on discount and amortization on tax and like.

7.3.2 *Ratio multiples of assets category*

Ratio multiples that is calculated based on equity (or market value of all investment capital) and assets category parameters is known as ratio multiple of assets category. Frequently-used ratio multiples of assets category consists of:

- (1) Ratio multiples of market value of all investment capital to total assets;
- (2) Ratio multiples of market value of all investment capital to net assets;
- (3) Ratio multiples of market value of all investment capital to total adjusted assets.

Total adjusted assets refer to total assets excluding non-operating assets (e.g. long-term equity investment, construction in progress, etc) of comparable companies. Among the above-mentioned indicators, we consider that ratio multiples of market value of all investment capital to net assets could eliminate influence of current fund in the operation of enterprise on total assets. Therefore, we select it as major factor of assets category indicator.

7.3.3 Ratio multiples of liability-free cash flow

Ratio multiples of liability-free cash flow = total value of an enterprise / liability-free cash flow

VIII PROCESS FOR IMPLEMENTATION OF EVALUATION PROCEDURES

8.1 Acceptance of entrusting

On August 20, 2008, our company negotiated with the entrusting party on the objective, object, scope and base day of the evaluation in question, and signed assets evaluation engagement letter after preliminarily appraising risk of the project. According to specific situation of this evaluation, a project evaluation team is established to propose evaluation scheme and prepare working plan.

On August 31, 2008, assets evaluation declaration form was given to assets owners, which is aided in declaring assets. And we also collect information necessary to assets evaluation.

8.2 Field check

According to evaluation declaration documents provided by assets owners, appraisers made overall survey and verification of all declared assets during September 1, 2008 to September 10, 2008. Firstly, we solicited introduction to history and status quo of the enterprise presented by assets owners; Secondly, we made inquiry and discrimination of assets evaluation declaration form filled by enterprises, and checked it against relevant financial record, purchase invoice, ownership of assets, and contract; thirdly verified the quantity of physical assets, status of quality of concerned physical assets, and talked with assets managers, as well as comprehended status of operation and management of assets.

8.3 Evaluation and evaluation

After all declared assets are checked and verified, the appraisers conducted market survey and inquiry during September 10 to 14, 2008, and selected appropriate evaluation method to appraise and evaluate all assets, and preliminarily determined evaluated value of all assets.

8.4 Submission of report

Evaluation statement and report is prepared based on examination, analysis, adjustment and improvement of conclusion from this evaluation, and internal review procedures of the company is fulfilled. Following it, the assets evaluation report was submitted to the entrusting party on September 16, 2008.

8.5 Arrangement and filing of working paper

The working paper is arranged and filed in compliance with Standard for Assets Evaluation-Working Paper.

IX ASSUMPTION OF THE EVALUATION

The conclusion in this evaluation report are formed in principle of independence, objectiveness, and fairness. The base day of evaluation carried in the conclusion is only used for the objective of the evaluation carried in the report, and established under the following assumption and restraints specified in the evaluation report only:

9.1 Assumption of trading:

It is assumed that to-be-appraised assets has been traded in place. The appraisers evaluate price of the assets by simulating marketing with trading conditions and like of assets to be appraised.

9.2 Assumption of open market:

It is an assumption what conditions of market assets will access to and what influence will be imposed on assets under such conditions. The open market, which has been fully developed and improved, is a market where volunteering purchasers and sellers compete each other on equal basis. In the market, both purchasers and sellers who have ample opportunity and time to acquire market information strike deal on volunteering, rational, and unrestricted basis.

9.3 Assumption of sustainable use:

It is an assumption what conditions of market assets will access to and what status of assets under such conditions are. Firstly, it is assumed that appraised assets are being used; secondly, it is assumed that the assets will be further used. Under such conditions, change of utility of assets or optimum conditions of use are not taken into account. Therefore, the scope of use for the results is restricted.

9.4 Assumption of going concern:

It is an assumption made by taking the whole assets of an enterprise as object of evaluation. In this way, the enterprise operates continually within limited period of operation in pursuit of its operation objective under its external environment as entity. The operator of the enterprise is capable of taking responsibility. The enterprise operates legally and makes appropriate profits to maintain the capability of going concern within the limited period. All categories of operating assets of the enterprise could be used continually in terms of current utility, and mode, scale, frequency and environment of use.

9.5 Assumption of indefective items, contingent items or other items:

The evaluation agent and its appraisers take no responsible for indefective items, contingent items or other items which may exist with the enterprise and have impact on the enterprise, such as those deemed not exist by the appraisers under the conditions that they are required by appraisers to deliver by assets owners, and failed to be delivered by the latter, and they are unknown even when the appraisers have fulfilled evaluation procedures.

9.6 Assumption of legality of assets:

It refers to legality of ownership of property documentation, which is clear-cut and indefective; the mode and procedure of operation of appraised assets are compliance with state and local laws and regulation.

9.7 Assumption of trueness and completeness of information:

Refers to trueness and completeness of financial statement, accounting voucher, list of assets and other documents related to the evaluation provided by assets owners.

9.8 Assumption of reshuffling of current staff:

It is assumed that there is no greater shift of trained staff who have mastered developed technologies, possessed skill and management capability, and is expected to bring expected earning to the enterprise after the base day of the evaluation.

9.9 Assumption of special evaluation of method of present value of earnings:

Expected earning for this evaluation is prepared based on basics, capability, and potential of assets owners over years, the latest three years operation and all economic indicators, considering future development of assets owners, and following current laws and regulation and principle of down-to-earth and moderation. Prediction and analysis of earning underlies overall assets evaluation of the enterprise. However, any prediction is made on the basis of given assumption. So prediction of future earnings of assets owners are based on following conditions:

- 9.9.1 There is no greater change in current laws, regulation, policies and systems followed by assets owners;
- 9.9.2 There is no greater change in social politic, and economic environment in the region assets owners locate and regions related to the economic business;
- 9.9.3 Assets owners will operate continually, and remain consistent in terms of scope, mode and decision procedure of operation;

- 9.9.4 Financial credit interest, taxable income baseline and tax, foreign exchange rate and market conditions change normally or within the scope established by the government;
- 9.9.5 There is no significantly adverse influence of other force majeure or unpredictable factors on production and operation activities of assets owners;
- 9.9.6 Asset owners operate, independently distribute earnings, take responsibility for financial and operating risk as a independently economic entity.

The results of the evaluation will be invalid when there is change in other conditions such as the foresaid objective, assumption, prerequisites of the evaluation and limited period of use followed by the evaluation.

X CONCLUSION OF THE EVALUATION

Conclusion of the evaluation: equity value of equity book value of all assets owners possessed by amounted to RMB268,062,417.12 on the base day of the evaluation. Based on the method of present value of earning, open-market value of assets of shares of Sinoma International subscribed by Tianjin Zhongtian is appraised as RMB1,946,308,400; Based on the method of market comparison, open-market value of assets of shares of SINOMA subscribed by Tianjin Zhongtian is appraised at RMB2,116,446,800.

In this evaluation, the influence of income tax resulting from added value on the equity value has not been taken into consideration.

Selection of results of the evaluation: Based on the method of present value of earning, open-market value of assets of shares of SINOMA subscribed by Tianjin Zhongtian is appraised at RMB1,946,308,400. The reasons that the results obtained through the method of market comparison are not selected are as follows:

When the method of present value of earnings is applied to appraise the equity value, future cash flow of the assets owners is discounted to reflect value of the enterprise. In this way, the results of evaluation enable to fully reflect combination of visible and invisible assets of assets owners for contribution to the value of the enterprise. However, when the market comparison method is applied, there may possibly exist items uncovered, such as comparable companies' failure to reflect invisible assets (e.g. patent, know-how) on the book value even if they have analyzed financial situation and operation of assets owners and comparable companies and compared them. As a result, the appraisers may fail to obtain relevant information. Additionally, the market is of uncertainty.

XI NOTES ON AD HOC ITEMS

- 11.1 The results of this evaluation reflect market value of equity of all shareholders of Tianjin Zhongtian determined according to the principle of open market under the objective of evaluation for appraised object without taking into account possible influence of mortgage and guarantee handled or being handled, any influence of potential mortgage, guarantee, contingent liability, pending lawsuits or any potential lawsuits, and influence of additional price paid by special trading party on appraised value as well as influence of change in state macroeconomic policies, nature force, and force majeure on price of assets.
- 11.2 Influence of inflation on value of appraised object has not been taken into consideration in this evaluation.
- 11.3 Several reference files contained in this report is an integral part of this report, having equal legal effects with main body of this report.
- 11.4 Influence of premium and discount of share holding rights and minority share right on the results has not been taken into consideration in this evaluation.
- 11.5 Assets and liability covered in the scope of the evaluation have been audited by Li'anda CPA Co., Ltd in accordance with the new accounting standard. To make the audited data comparable, the appraisers have adjusted investment on equity of subsidiary by its superior on equity method basis;

It is recommended that users of this evaluation report pay attention to influence of ad hoc items on conclusion of the evaluation.

XII NOTES TO LIMIT OF THE EVALUATION REPORT IN USE

- 12.1 This evaluation report is used for objective and utility of evaluation stated in the evaluation report only.
- 12.2 This evaluation report could be only used by users stated in the report for economic activities corresponding to the objective of this evaluation.
- 12.3 This evaluation report shall come into force upon verification or filing by relevant competent agency.
- 12.4 All or partial evaluation report could not be copied, quoted or disclosed to any public media without prior written consent by this evaluation agency unless they are allowed by relevant laws and regulation or otherwise specified by related parties hereof.
- 12.5 The conclusion of this evaluation is made on August 31, 2008, the base day of this evaluation, reflecting the open-market value of shares of SINOMA that Tianjin Zhongtian proposed to subscribe on subjective and fair basis. The company shall not take any responsibility for any change of foresaid value of

the assets of Tianjin Zhongtian post-base day. In case of occurrence of major items post the base day, the conclusion of this evaluation could not be used directly.

In the case that there are changes in quantity and price of assets, which have significant impact on the results of this evaluation, within the period of validity for the evaluation and post the base day of the evaluation, the entrusting party shall promptly appoint the evaluation agency to reappraise it.

- 12.6 The conclusion of this evaluation could not be used unless the evaluation report is signed by legal representative (or authorized representative), and two certified public valuers of our company, and sealed.
- 12.7 According to regulation on management of state-owned assets evaluation, the foresaid results of the evaluation shall not be valid until is filed with legally.
- 12.8 According to statutory regulation, the period of validity of this report lasts one year, ranging from August 31, 2008, the base day of the evaluation, to August 30, 2009.

XIII ISSUANCE DATE OF THE REPORT

The date is September 16, 2008.

Assets Evaluation Agency: Beijing Pan-China Assets Appraisal Co., Ltd.

Legal Representative: Sun Jianmin

Certified Public Valuer: Wu Jianmin

Certified Public Valuer: Ren Limin

September 16, 2008

DECLARATION ON SCOPE OF USE OF REFERENCE DOCUMENTS TO ASSETS EVALUATION REPORT

The reference documents to assets evaluation report are only provided for users stated on this report for economic activities corresponding to the objective of this evaluation. The right to use this report belongs to the entrusting party. The evaluation agency shall not deliver or release it to others at its disposal without consent of the entrusting party whereas the entrusting party shall not publish full or partial report in any public media without prior written consent by us. We shall not take any legal responsibility for consequence from improper use of the results of the evaluation in other economic activities by the entrusting party or other users of the report.

Beijing Pan-China Assets Appraisal Co., Ltd.

September 16, 2008

REFERENCE DOCUMENTS TO ASSETS EVALUATION REPORT FOR PROJECT OF PRIVATE PLACEMENT OF SHARES OF SINOMA INTERNATIONAL ENGINEERING CO., LTD. MADE TO TIANJIN ZHONGTIAN

TXPBZ(2008)#135

- 1 Documents related to economic activity;
- 2 An audit report specific to this economic activity (separately bound);
- 3 A duplicated copy of corporation business license of the entrusting party;
- 4 A duplicated copy of corporation business license of the assets owners;
- 5 A duplicated copy of property right documentation of the assets owners;
- 6 A Letter of commitment by the entrusting party;
- 7 Letters of commitment by the assets owners;
- 8 A letter of commitment by the assets evaluation agency and its certified public valuers;
- 9 A duplicated copy of qualification certificate for the evaluation agency;
- 10 A duplicated copy of the evaluation agency's license of qualification for security business;
- 11 A duplicated copy of corporation business license of the evaluation agency;
- 12 A duplicated copy of signed qualification certificate of CPV.

APPENDIX II REPORT FROM SHINEWING (HK) CPA LIMITED
ON THE VALUATION REPORT

The following is the text of the report received by the Directors from the Company's reporting accountants, SHINEWING (HK) CPA Limited, prepared for the purpose of incorporation in this circular in connection with the Valuation Report.



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

31 October 2008

Board of Directors
China National Materials Company Limited
11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035
PRC

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We refer to the circular of China National Materials Company Limited (中國中材股份有限公司) (the “**Company**”) dated 31 October 2008 (the “**Circular**”) in relation to the proposed acquisition of certain equity interests in the Target Companies (as defined in the Circular) by Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司) (“**Sinoma International**”), a non-wholly owned subsidiary of the Company, from Tianjin Zhongtian Technology Development Co., Ltd. Unless otherwise stated, the terms defined in the Circular shall have the same meanings when used herein.

We have examined the accounting policies adopted and calculations of the underlying profit forecast (the “**Underlying Forecast**”) to the business valuation report dated 16 September 2008 prepared by Beijing Pan-China Assets Appraisal Company Limited (北京天健興業資產評估有限公司) (the “**Valuer**”) in respect of the business valuation on the Target Companies as of 31 August 2008.

RESPONSIBILITIES

The directors of Sinoma International are solely responsible for the preparation of the Underlying Forecast, including the assumptions, for the purpose of the business valuation of the Target Companies based on discounted cash flow method. The Underlying Forecast has been prepared using a set of assumptions (the “**Assumptions**”) that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The directors of Sinoma International are responsible for the reasonableness and validity of the Assumptions.

APPENDIX II	REPORT FROM SHINEWING (HK) CPA LIMITED ON THE VALUATION REPORT
--------------------	---

It is our responsibility to form an opinion, based on our work on the Underlying Forecast, and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

SUMMARY OF OUR WORK

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagement 3000 “Assurance Engagements Other Than Audits or Review of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants with reference to the procedures under Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts”. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the directors of Sinoma International. Our work does not constitute any valuation of the Target Companies.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the directors of Sinoma International and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427
Hong Kong

The Sinoma International Enlarged Group Profit Forecast has been prepared on the following principal bases and assumptions:

- (1) There are no great changes to the present national policies, laws and statutes to which Sinoma International abides by within the forecast period;
- (2) Within the profit forecast period, there are no great changes to the present foreign exchange rate and bank credit rate;
- (3) There are no great changes to the policies, social and economic environment of the industry in which Sinoma International operates;
- (4) There are no great adjustments to the tax bearing rate, tax rate and the tax favorable policies Sinoma International enforces at present;
- (5) Sinoma International can operate continuously in 2008, 2009 and afterwards;
- (6) Sinoma International's production, operation, and sales plans can go smoothly; the signed major contracts and discussed major programs can be basically realized; there are no great unfavorable changes to the market;
- (7) Sinoma International's production and operation are not adversely affected due to the lack of human resources, shortage of resources, or the change of costs etc. within the forecast period;
- (8) Within the forecast period, there are no irresistible or unpredictable factors such as the natural disasters that may have negative impacts on Sinoma International;
- (9) It is supposed that the various operation plans and budgets could be completed within the period of forecast;
- (10) It is supposed that Sinoma International could keep its predicted finance level according to the company's various operation plans, capital raising plans and investment plans.

APPENDIX IV REPORT FROM SHINEWING (HK) CPA LIMITED
ON THE SINOMA INTERNATIONAL
ENLARGED GROUP PROFIT FORECAST

The following is the full text of the report received by the Directors from the Company's reporting accountants, SHINEWING (HK) CPA Limited, prepared for the purpose of incorporation in this circular in connection with the Sinoma International Enlarged Group Profit Forecast.



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

31 October 2008

Board of Directors
China National Materials Company Limited
11 Beishuncheng Street
Xizhimennei, Xicheng District
Beijing 100035
PRC

Dear Sirs,

We refer to the circular of China National Materials Company Limited (中國中材股份有限公司) (the “**Company**”) dated 31 October 2008 (the “**Circular**”) in relation to the proposed acquisition of certain equity interests in the Target Companies (as defined in the Circular) by Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司) (“**Sinoma International**”), a non-wholly owned subsidiary of the Company, from Tianjin Zhongtian Technology Development Co., Ltd. Unless otherwise stated, the terms defined in the Circular shall have the same meanings when used herein.

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of Sinoma International and its subsidiaries (hereinafter collectively referred to as the “**Sinoma International Group**”) for the two years ending 31 December 2008 and 2009, respectively, attributable to equity holders of Sinoma International on the assumption that the acquisition of the Equity Interests under the Equity Purchase Agreement had been completed on 31 August 2008 (the “**Forecast**”), for which the directors of Sinoma International are solely responsible. The Forecast is prepared based on the audited consolidated results of the Sinoma International Group for the eight months ended 31 August 2008 and the forecast of the consolidated results of the Sinoma International Group for the remaining 4 months ending 31 December 2008 and the year ending 31 December 2009, respectively.

**APPENDIX IV REPORT FROM SHINEWING (HK) CPA LIMITED
ON THE SINOMA INTERNATIONAL
ENLARGED GROUP PROFIT FORECAST**

We conducted our work in accordance with the procedures and term of reference as stated in our engagement letter dated 6 October 2008. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the assumptions made by the directors of Sinoma International.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of Sinoma International and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Company.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427
Hong Kong

The following is the text of a letter prepared for the purpose of incorporation in this circular, executed by the board of directors of the Company.

SINOMA

中國中材股份有限公司
China National Materials Company Limited

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

(Stock Code: 1893)

31 October 2008

To the Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 31 October 2008 (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

In accordance with the requirements under Rule 14.62(3) of the Hong Kong Listing Rules, we are of the view that the Valuation Report and the Sinoma International Enlarged Group Profit Forecast have been made after due and careful enquiry by the board of directors of the Company.

Yours faithfully,
For and on behalf of the board of directors of
TAN Zhongming
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, the Supervisors and the chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director, a Supervisor, or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares 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:

Name	Type of shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total issued share capital
Parent	Domestic shares	Long positions	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Corporation	Domestic shares	Long positions	319,788,108	14.05%	8.96%

Name	Type of shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total issued share capital
Taian State-owned Assets Management Co., Ltd.	Domestic shares	Long positions	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Non-listed foreign shares	Long positions	130,793,218	100%	3.66%
The National Council for Social Security Fund of the PRC	H Shares	Long positions	80,594,897	7.96%	2.26%

Saved as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive of the Company, there was no other person (other than the Directors, the Supervisors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or who is, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors and the Supervisors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group was made up.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the Supervisors and their respective associates (as defined under the Listing Rules) is considered as having a competing interest pursuant to Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors, the Supervisors or experts named in this circular had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group was made up or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors and Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors and Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

Each of the following experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the experts who have given their respective opinions or advices which are contained in this circular:

Name	Qualification
China Everbright Capital Limited, the Independent Financial Adviser	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Beijing Pan-China Assets Appraisal Co., Ltd, the PRC Valuer	a firm of valuer qualified in the PRC
Reanda Certified Public Accountants Co., Ltd.	certified public accountants qualified in the PRC
SHINEWING (HK) CPA Limited	certified public accountants

10. EXPERTS' INTERESTS

As at the Latest Practicable Date, none of the Independent Financial Adviser, the PRC Valuer, the PRC Accountants and SHINEWING (HK) CPA Limited had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2007, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the

share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Subject to the Hong Kong Listing Rules, a poll may be demanded in respect of any resolution by the following persons before or after a vote is carried out by a show of hands:

- (1) by the Chairman of the meeting; or
- (2) by at least two shareholders in person or by at least two proxies entitled to vote thereat; or
- (3) by one or more shareholder(s) (including their authorized proxies) jointly or individually representing 10% or more of the total voting rights of all the shareholders having the right to vote at the meeting.

Unless a poll is demanded, the Chairman of the meeting shall declare the result of a proposal based on the result of a show of hands. A demand for a poll may be withdrawn by the person(s) who made the demand.

12. MISCELLANEOUS

- The joint company secretaries of the Company are Mr. Su Kui and Mr. Chan Wing Hang. Mr. Chan Wing Hang is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- The qualified accountant of the Company is Mr. Chan Wing Hang, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- The transfer office of the Company in Hong Kong is situated at the office of the Company's H share registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- The registered office and the principal place of business of the Company are situated at 11 Beishuicheng Street Xizhimennei Beijing 100035, the PRC.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room C, 26th Floor, 211 Johnston Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 21 November 2008:

- (a) the articles of association of the Company;
- (b) the Equity Purchase Agreement;
- (c) the Compensation Agreement;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (f) the Valuation Report, the text of which is set out in this circular;
- (g) the Sinoma International Enlarged Group Profit Forecast;
- (h) the report from SHINEWING (HK) CPA Limited on the Valuation Report, the text of which is set out in this circular;
- (i) the report from SHINEWING (HK) CPA Limited of the Sinoma International Enlarged Group Profit Forecast, the text of which is set out in this circular; and
- (j) the letter from the Board relating to the Valuation Report and the Sinoma International Enlarged Group Profit Forecast, the text of which is set out in this circular.

Sinoma

中國中材股份有限公司
China National Materials Company Limited

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

(Stock Code: 1893)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Extraordinary General Meeting") of CHINA NATIONAL MATERIALS COMPANY LIMITED (the "Company") will be held at Jinxiang Room, Empark Grand Hotel, Beijing, No. 69 Banjing Road, Haidian District, Beijing, the People's Republic of China at 2:00 p.m. on Tuesday, 16 December 2008 for the following purposes:

AS ORDINARY RESOLUTIONS:

1. To consider and, if thought fit, to approve the Private Shares Placement and Assets Purchase Agreement dated 10 October 2008 entered into between Sinoma International Engineering Co., Ltd, a subsidiary of the Company, and Tianjin Zhongtian Technology Development Co., Ltd (the "Equity Purchase Agreement") and the transactions contemplated thereunder.
2. To consider and, if thought fit, to approve the Compensation Agreement dated 10 October 2008 entered into between Sinoma International Engineering Co., Ltd, a subsidiary of the Company, and Tianjin Zhongtian Technology Development Co., Ltd (the "Compensation Agreement") and the transactions contemplated thereunder.
3. The board of directors of the Company be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as they may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Equity Purchase Agreement and the Compensation Agreement.

By order of the Board
CHINA NATIONAL MATERIALS COMPANY LIMITED
Tan Zhongming
Chairman of the Board

Beijing, 31 October 2008

As at the date of this notice, the executive Directors are Mr. Tan Zhongming and Mr. Yu Shiliang, the non-executive Directors are Mr. Liu Zhijiang, Mr. Zhou Yuxian and Mr. Chen Xiaozhou, and the independent non-executive Directors are Mr. Yang Yuzhong, Mr. Zhang Lailiang, Mr. Zhang Qiusheng and Mr. Leung Chong Shun.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Eligibility for Attending the Extraordinary General Meeting

Holders of H Shares whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at the close of business of Wednesday, 5 November 2008 shall be entitled to attend the Extraordinary General Meeting of the Company.

Shareholders intending to attend and vote at the Extraordinary General Meeting of the Company to be held on Tuesday, 16 December 2008 shall lodge all the transfer documents for H Shares with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 5 November 2008.

2. Proxy

- (1) Shareholders entitled to attend and vote at the Extraordinary General Meeting of the Company may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (3) To be valid, the notarized power of attorney or other documents of authorization, and the form of proxy shall be delivered to (i) the registered address of the Company for holders of domestic shares and unlisted foreign shares; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, for the holders of H Shares, no less than 24 hours before the time fixed for convening the Extraordinary General Meeting of the Company or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes.
- (4) A proxy may exercise his voting right by a show of hands or by a poll. If a shareholder appoints more than one proxy, such proxies can only exercise their voting rights by a poll.

3. Registration Procedures for Attending the Extraordinary General Meeting

- (1) A shareholder or his proxy shall produce his identification document when attending the Extraordinary General Meeting of the Company. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the Extraordinary General Meeting of the Company shall return to the Company the reply slip stating their attendance on or before Tuesday, 25 November 2008.
- (3) A shareholder may return the above reply slip to the Company in person, by post or by facsimile.

4. Closure of Register of Members

The register of members of the Company will be closed from Thursday, 6 November 2008 to Tuesday, 16 December 2008 (both dates inclusive).

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

5. Procedures for Demanding a Poll by Shareholders

Subject to the listing rules of the stock exchange on which the shares of the Company are listed, a poll may be demanded in respect of any resolution by the following persons before or after a vote is carried out by a show of hands:

- (1) by the Chairman of the meeting; or
- (2) by at least two shareholders in person or by at least two proxies entitled to vote thereat; or
- (3) by one or more shareholder(s) (including their authorized proxies) jointly or individually representing 10% or more of the total voting rights of all the shareholders having the right to vote at the meeting.

Unless a poll is demanded, the Chairman of the meeting shall declare the result of a proposal based on the result of a show of hands. A demand for a poll may be withdrawn by the person(s) who made the demand.

6. Miscellaneous

- (1) The Extraordinary General Meeting of the Company is expected to be held for less than half a day. Shareholders attending the Extraordinary General Meeting of the Company shall be responsible for their own travelling and accommodation expenses.
- (2) The address of Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (3) The registered address of the Company is:

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035
People's Republic of China
Telephone: (+86) 10 8222 9259
Facsimile: (+86) 10 8222 9259