SINOMA

China National Materials Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability) (Stock Code: 01893)

2008 Annual Report

Materials Innovating Prosperity

Contents

Corporate Information

As at 31 December 2008

Directors

Executive Directors

TAN Zhongming *(Chairman)*
YU Shiliang *(President)* *Note 1*

Non-executive Directors

LIU Zhijiang
ZHOU Yuxian *Note 1*
CHEN Xiaozhou

Independent Non-executive Directors

YANG Yuzhong
ZHANG Lailiang
ZHANG Qiusheng
LEUNG Chong Shun

Supervisors

XU Weibing *(Chairman)*
WANG Baoguo
WANG Jijun *Note 2*
WANG Jianguo
ZHANG Lirong
WANG Wei
YU Xingmin

Strategy Committee

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian
YANG Yuzhong
CHEN Xiaozhou

Audit Committee

ZHANG Qiusheng *(Chairman)*
ZHANG Lailiang
LIU Zhijiang

Remuneration Committee

ZHANG Lailiang *(Chairman)*
ZHANG Qiusheng
LEUNG Chong Shun

Nomination Committee

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian

Note:

1. As approved at the Board meeting convened on 27 March 2009, Mr. Zhou Yuxian will act as the president and executive Director but resign from the non-executive Director of the Company, while Mr. Yu Shiliang will act as the non-executive Director but resign from the president and executive Director of the Company. For details please refer to the announcement of the Company dated 27 March 2009.

2. Mr. Wang Jijun resigned as a Supervisor of the Company with effect from 14 April 2009. Mr. Zhang Renjie was nominated as a Supervisor of the Company by the Supervisory Committee and his appointment will take effect from the date of approval by the shareholders in the coming annual general meeeting of the company on 9 June, 2009. For details please refer to the announcement of the Company dated 14 April 2009.

Corporate Information

As at 31 December 2008

Secretary of Board

SU Kui

Joint Company Secretaries

SU Kui
CHAN Wing Hang (FCCA, CPA)

Authorised Representatives

ZHOU Yuxian
CHAN Wing Hang (FCCA, CPA)

Qualified Accountant

CHAN Wing Hang (FCCA, CPA)

Registered Office and Place of Business

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035
PRC

Place of Business in Hong Kong

Room C, 26th Floor
211 Johnston Road
Wanchai
Hong Kong

Legal Advisor

Herbert Smith LLP (as to Hong Kong law)
Jia Yuan Law Firm (as to PRC law)

Auditor

Hong Kong auditor

SHINEWING (HK) CPA Limited

PRC auditor

ShineWing Certified Public Accountants

Principal Bankers

China Construction Bank Corporation
Bank of Communications Co., Ltd.

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser

BOCOM International (Asia) Limited

Stock Code

01893

Company Website

http://www.sinoma-ltd.cn

Investor Contact

Tel/Fax: (8610)8222 9925
E-mail: ir@sinoma-ltd.cn

Corporate Profile

China National Materials Company Limited is a joint stock company approved by the State-owned Assets Supervision and Administration Commission of the State Council and established jointly by China National Materials Group Corporation and other promoters. The Company was incorporated on 31 July 2007 and was listed on the main board of the Hong Kong Stock Exchange on 20 December 2007.

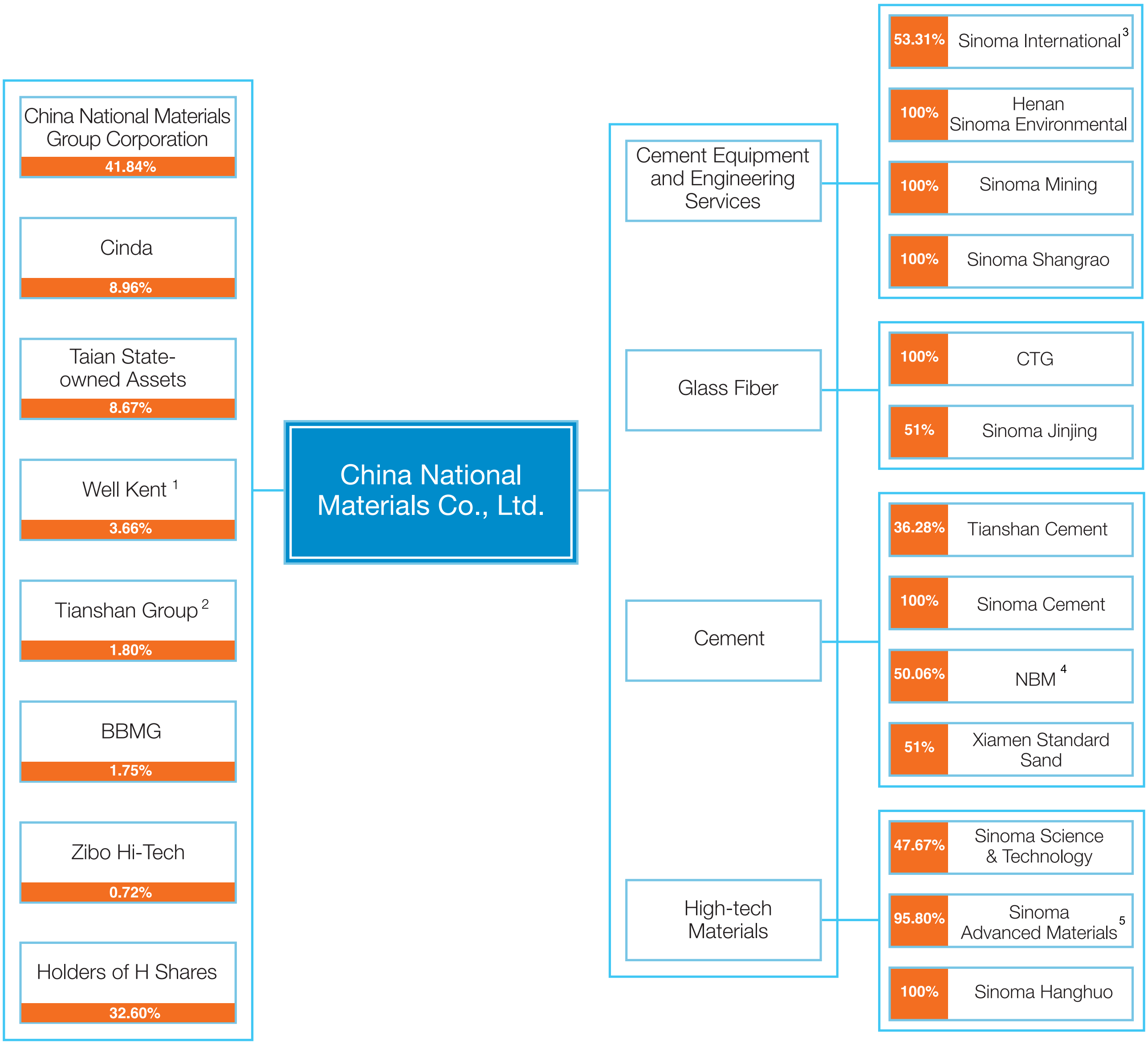
The Company is mainly engaged in cement equipment and engineering services, glass fiber, cement and high-tech materials business. The Company possesses series of core technologies such as glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, with pioneering research and development capabilities, strong implementation capability for commercialisation of innovative technologies, successful merger and acquisition experience and unique business model.

The Company is the largest provider of cement equipment and engineering services in the world and a leading producer of non-metal materials in the PRC. It is the only company in the non-metal materials industry in the PRC with a business model that integrates research and development, industrial design, equipment manufacturing, engineering and construction services and production.

The Company is committed to maintaining a sustainable growth for the long term and continuously creates value for all our stakeholders including shareholders, customers, employees and the community. The Company upholds our positioning as a technological, commercial and international enterprise. We strive to become the leading provider of technology, core equipment, engineering and system integration services in the global cement engineering industry and to become a prominent developer and provider of non-metal materials and related products globally.

Corporate Structure

As at 31 December 2008



Note:

1. Well Kent is a wholly-owned subsidiary of Cinda.

2. Parent holds 50.95% of the equity interest of Tianshan Group.

3. On 10 October 2008, Sinoma International entered into an equity purchase agreement with Tianjin Zhongtian, pursuant to which, Sinoma International acquired certain equity interest in 14 subsidiaries of Sinoma International by way of the issue and allotment of shares by Sinoma International at an agreed price. Upon completion of the issue of shares on 8 April 2009, Sinoma International is owned as to 42.46% from 53.31% by the Company and will continue to be a subsidiary of the Company.

4. Parent holds 49.94% of the equity interest of NBM. On 13 April 2009, the Company entered into an agreement with Parent for the acquisition of 49.94% equity interest in NBM. Upon completion of the acquisition, NBM will become the wholly-owned subsidiary of the Company.

5. On 31 December 2008 and 21 January 2009, the Company entered into equity purchase agreements with Beijing Guoyu and Shandong Aluminum, respectively, pursuant to which, the Company acquired entire equity interest in Sinoma Advanced, from Beijing Guoyu and Shandong Aluminum. Upon completion of the two equity purchase agreements on February 2009, Sinoma Advanced is owned as to 99.46% by the Company

The above chart covers first tier subsidiaries only. Secondary tier subsidiaries and below are not been listed.

Financial Summary

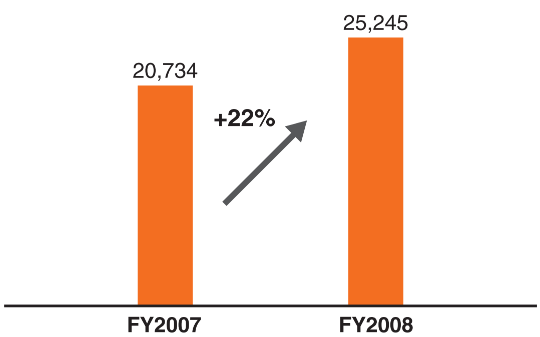
General Information

	2008 RMB million	2007 RMB million *(Restated)*	Change (%)
Turnover	**25,244.82**	20,733.93	21.76
Profit for the year	**1,520.34**	1,165.15	30.48
Profit attributable to equity holders of the Company	**564.55**	486.64	16.01
Total assets	**44,645.08**	31,671.60	40.96
Total liabilities	**32,429.35**	21,590.36	50.20
Equity attributable to equity holders of the Company	**6,793.63**	6,106.76	11.25
Earnings per Share – Basic (RMB)	**0.158**	0.202	(21.78)
Equity per Share at the end of year (RMB)	**1.90**	1.78	6.74

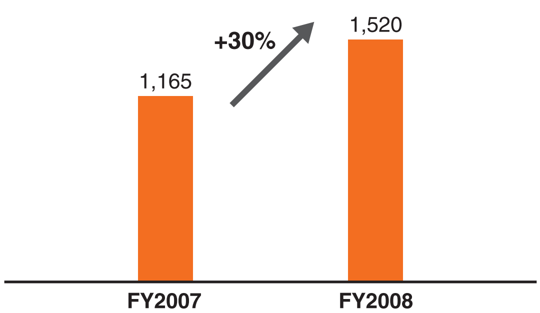
Note:

1. Restatement for 2007 figure is because the Company acquired the Xi'an Engineering from Parent and increased the capital in NBM which is a business combination under common control.
2. Earnings per Share – Basic = profit attributable to equity holders of the Company / weighted average number of shares during the reporting period, which was 2,411,436,712 shares in 2007 and 3,570,315,321 shares in 2008.

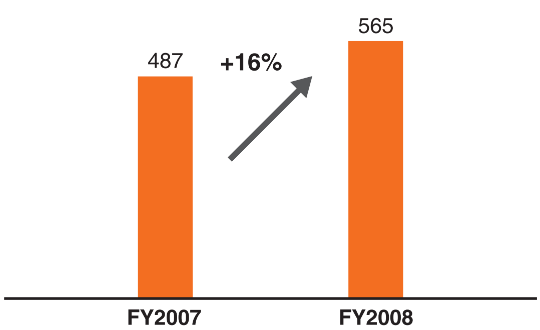
Turnover (RMB million)



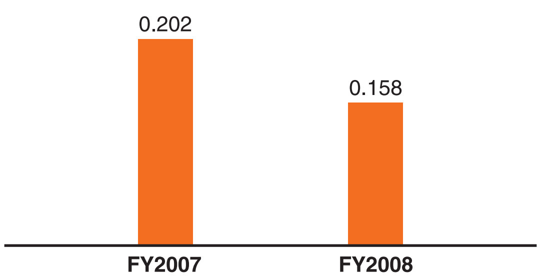
Profit for the year (RMB million)



Profit attributable to equity holders of the Company (RMB million)



Earnings per Share – Basic (RMB)



Business Summary

Cement Equipment and Engineering Services

	2008 (RMB million)	2007 (RMB million)	Change (%)
Amount of new contracts	**34,080**	24,861	37.08
Amount of backlog	**47,526**	30,881	53.90

Note: The amounts of new contracts and backlog have both deducted the amounts of those contracts which have been delayed or cancelled.

Glass Fiber

	Sales Volume in 2008	Sales Volume in 2007	Change (%)
Roving (tonne)	**224,735**	159,244	41.13
Mat (tonne)	**36,450**	37,280	(2.23)
Electronic yarn (tonne)	**9,868**	18,353	(46.23)
Chopped strands (tonne)	**11,143**	12,757	(12.65)
Woven roving (tonne)	**5,952**	4,528	31.45
Wet-process tissue (million sqm.)	**104.22**	85.22	22.30

Cement

	Sales Volume in 2008	Sales Volume in 2007 *(Note)*	Change (%)
Cement ('000 tonne)	**17,565**	11,780	49.11
Clinker ('000 tonne)	**2,590**	2,128	21.71
Standard sand (tonne)	**23,901**	24,074	(0.72)

Note: Sales volume for 2007 did not include that of NBM.

Hi-tech Materials

	Sales Volume in 2008	Sales Volume in 2007	Change (%)
Blades for wind power generators (sets)	**137**	—	—
CNG cylinder (units)	**36,138**	17,759	103.49
Solar-energy fused silica crucibles (units)	**11,688**	800	1,361.00
High temperature membrane filtration materials ('000 sqm.)	**356**	175	103.43
Fine fused quartz ceramics (units)	**25,276**	18,927	33.54

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report to the shareholders and for the Shareholders' perusal, the excellent results of the Company for the year 2008.

The global financial crisis triggered by the sub-prime crisis in the US intensified in 2008 and had a serious impact on the real economy. As a result, the global economy stepped into recession from a slowdown in growth. The Chinese economy, which is increasingly closely related to other economies in the world, also experienced a great shock. The operating environment changed drastically; exchange rates, interest rates, fuel and raw material prices and the product market fluctuated significantly and the economic growth slowed down rapidly. Facing the complicated and difficult situations both domestically and internationally, the Company seized the appropriate opportunities and actively tackled the problems encountered, fully leveraged on its industry-leading technological advantages, strategic distribution advantages, international brand advantages and its leading position in the industry and strictly stuck to the theme of development to expand its market share in the domestic and overseas markets. By strengthening its management, reducing cost and improving efficiency, the Company strived to overcome the effects of continuous increases in fuel and raw material prices and labor costs in the first three quarters of the year and the dual effects on the weak demand and the decrease in product prices in the fourth quarter of the year, and maintained a healthy and rapid growth of its businesses and operational results.

During the reporting period, the turnover of the Group was RMB25,245 million, representing a growth of 21.76% on a year-on-year basis. Profit for the year was RMB1,520 million, representing a growth of 30.48 % on a year-on-year basis. Profit attributable to equity holders of the Company amounted to RMB565 million, representing an increase of 16.01% on a year-on-year basis. Earnings per share of the Company was RMB0.158.

Cement Equipment and Engineering Services

The cement equipment and engineering services segment continued to maintain its momentum of strong growth in 2008. Leveraging on the Company's strong comprehensive competitive strengths comprising technological advantages, brand advantages and system integration service model, the production and operation size of this segment continued to grow despite the drastic fluctuations in market conditions, exchange rates, raw material costs and ocean freight. Engineering projects progressed smoothly; equipment manufacturing capability and the level in this respect continued to improve; the scope of business was expanded; the organization structure was further optimized; the gross margin continued to improve and the profitability was further enhanced.

Despite the expected decrease in market demand for cement resulted from the global financial crisis, the value of new contracts secured by this segment (after deducting the contract value of those projects the commencement of construction of which has been delayed or cancelled) still recorded a growth of 37% on a year-on-year basis. Besides continuing to maintain its large market share in the PRC, the Company ranked No. 1 and accounts for 34% of the market shares in the overseas markets in 2008 and represented our historic breakthrough. The amount of backlog reached RMB47,526 million. Sufficient contract orders have laid a solid foundation for the Company's future business development and the improvement in economic benefit.

Glass Fiber

By seizing the favorable opportunity of strong sales in the global glass fiber market in the first three quarters of the year 2008, the glass fiber segment accelerated its pace in building its production capacity, enlarging production and sales volume and enhancing efficiency. Following completion of the acquisition of Taishan Composite Materials and construction and commencement of a production line with an annual capacity of 60,000 tonnes, the glass fiber segment had a total capacity of 440,000 tonnes. Because of the global financial crisis, demand from the international market declined; demand and supply in the global glass fiber industry reversed; product sales fell and prices dropped sharply after September 2008. The Company pre-assessed the dramatic change to the glass fiber market, timely adjusted the capacity investment plan and suspended the construction of one production line with an annual capacity of 60,000 tonnes and delaying the commencement of two production lines with an annual capacity of 80,000 tonnes. Meanwhile, the Company took active measures to vigorously expand its market shares, adjust its product portfolios, reduce cost and coordinate the production activities in a reasonable manner. As a result, the Company greatly relieved the impact brought about by market fluctuations and maintained rapid growth of the annual turnover and result of this segment.

Cement

The cement segment of the Company achieved satisfactory results in 2008. Demand for cement in Northwest China, where our cement production and sales businesses are mainly located, was strong and cement prices were high. Both Tianshan Cement and NBM delivered remarkable operational results. Although the profitability of our cement operations in Guangdong and Jiangsu decreased as a result of the sluggish property market, a decrease in industrial investments and an increase in fuel prices, the Company achieved satisfactory growth in the overall business scale and profit of its cement operations.

During the reporting period, this segment accelerated its pace in mergers and acquisitions and construction. Following completion of the acquisition of NBM, Yixing Henglai and the assets related to cement of Zhengda Cement and construction of a production line of 5,000 tpd in Zhuzhou, Hunan, a production line with a daily capacity of 2,500 tpd in Changde, Hunan, a production line with a daily capacity of 2,000 tpd in Midong, Xinjiang, and a production line of 2,000 tpd in Kashi, Xinjiang, the Company's cement production capacity reached 32 million tonnes per year.

High-tech Materials

During the reporting period, the high-tech materials segment of the Company grew rapidly by leveraging on its technological edge. Key materials for clean energy principally developed by the Company include fan blades for wind power generators, CNG cylinders and solar-energy fused silica crucibles. In respect of such products, the production capacity was improved; production and sales volume increased significantly and turnover and profit hit new highs. The Company had an annual production capacity of 300 sets of 1.5 MW-capacity fan blades for wind power generators and the construction of the new project with an annual capacity of 500 sets will soon be completed. Annual production capacity for solar-energy fused silica crucibles has reached 50,000 units, and the expansion project with an annual capacity of 100,000 units are progressing smoothly.

Prospects

The Company will face challenges, but also opportunities for rapid growth in its operation in 2009. As to challenges, the impact of the global financial crisis on real economy will intensify, causing a decrease in external demand, and increased pressure from a downturn in the Chinese economy will bring more difficulties to corporate operation. As to opportunities, there is no change in the fundamental situation of the Chinese economy, and the Chinese government has introduced a series of specific measures to expand domestic demand and boost economic growth, under which a number of construction projects in infrastructure and civil engineering will provide opportunities to relevant products and services of the Company. The adjustment of the industrial structure and industrial upgrade will directly boost the growth of high-tech materials operations and equipment manufacturing of the Company. Though, with years of experience, the Company's comprehensive strength, core competitiveness and ability in sustainable development have improved, and the increasingly growing comparative advantages of the Company has enabled it to turn threats to opportunities to achieve supernormal growth. Facing the complicated domestic and international economic environment, the Company will take effective measures focusing on business development to expand domestic and international markets and secure more room for development; it will strengthen its operation and management, reducing costs and raising efficiency; it will facilitate its technology development by applying new technologies and developing new products; it will take the opportunities to reorganise and integrate valuable corporate assets in relation to the Company's operations to achieve supernormal growth. The Board of Directors of the Company believes that the Company will provide shareholders with more satisfying results in 2009.

In terms of the cement equipment and engineering services segment, the Company will continue to uphold internationalisation as its development strategy, fully exploit its advantages in international competitiveness and brands, and put more efforts in market expansion to continue to consolidate its first-ranked position in global markets. The Company will strengthen its project management and improve management and the ability to perform obligations of projects under construction. The Company will reinforce its technology research and development to continue to upgrade its technical standard in cement manufacturing equipment to improve its equipment manufacturing capability. The Company will exploit its overall advantages in resources to accelerate the development of new business, expand its industrial chain and create more sources of profits, and strive for the general improvement of its profitability.

Chairman's Statement

The Company will keep a close eye on changes in the glass fiber industry and adjust its marketing strategies to expand domestic and international markets. The Company will differentiate its products to develop products with high added-values, expand the markets for high-end applications such as wind power generation and high-pressure vessels, and strengthen the synergy with the high-tech materials segment. The Company will update its product portfolios by optimizing the allocation of resources and developing profound processing products and to expand its industrial chain. The Company will continue to upgrade its processes and technologies to improve production efficiency, reduce costs, maintain competitiveness and improve its market position and comprehensive competitiveness in general.

In terms of the cement segment, the Company will, in accordance with its strategic goal of being the largest cement enterprise in northern China, procure acquisitions and new investments, complete the second reorganisation of NBM, increase the proportion of shareholdings, and accelerate the acquisition of Jidong Group, speed up its production capacity expansion in western and northern China region to consolidate its dominant positions in regional markets and further improve its market share, and to achieve the total cement production capacity of its existing entities of 42 million tonnes per year by 2009. The production capacity of cement under negotiation and acquisition amounts to over 50 million tonnes per year, and will reach 100 million tonnes by the end of 2009 if the acquisition plan is successfully completed. The Company will strengthen its operation and management by further broadening the scope of centralised procurement to reduce procurement costs. The Company will further conserve energy and reduce consumption and improve operating efficiency through technology reform and refined management, and will increase its profitability and competitiveness by reducing consumption per unit and general production costs for cement.

In terms of the high-tech materials segment, the Company will make full use of current favourable market conditions and State policies to expedite the construction of production capacity of key materials for clean energy sources which have been a focus of development. The goals are: the production capacity of 1.5 MW fan blades for wind power generators to reach 1,300 sets, completion of technology development on the 3 MW fan blades for wind power generators, the production capacity of solar-energy fused silica crucibles to reach 100,000 units, the production capacity of 150,000 CNG cylinders can be reached, and further increase the percentage of the high-tech materials segment's contribution to the Group's profits.

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your support and thank the management and all the staff of the Company for their dedication and hard work during the year.

TAN Zhongming
Chairman

Beijing, China
14 April 2009

Management Discussion and Analysis

BUSINESS OVERVIEW

Overview

The Company which 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, principally engaged in four business segments comprising cement equipment and engineering services, glass fiber, cement and high-tech materials.

During the first half of 2008, the growth in the world economy slowed down, but China's economy maintained rapid growth. Since September 2008, with the intensification of the international financial crisis, real economy has been affected to varying degrees and the economy in developed countries has experienced recession. Emerging economies, especially the export-oriented economies, were materially impacted by the international financial crisis. Although the overall national economy of the PRC grew at a stable and relatively rapid pace with an increase in GDP of 9% on a year-on-year basis, the growth obviously slowed down in the fourth quarter. In face of the severe domestic and overseas economic situations, the Company actively adopted measures, including intensifying the efforts to expand its market share, improving the management in all respects so as to alleviate the pressure of rising costs, timely adjusting the investment plans, moderately promoting merger and acquisition and restructuring so as to accelerate the consolidation of equity interests, expediting the application of new technology and the promotion of new products, saving energy and reducing consumption, and comprehensively utilizing resources with an aim to reduce costs and improve corporate profitability. The Company continued to maintain stable growth and improve economic efficiency for the purpose of enhancing core competitiveness.

Cement Equipment and Engineering Services

Industry Review

During the first half of 2008, the growth in the world economy slowed down, but driven by the strong demand for cement in emerging markets and countries where resources and wealth are rapidly accumulated, the global cement construction market still maintained a growth trend. In view of the bright outlook for cement development in the above areas, large-scale international cement producers generally increased their investment. During the second half of 2008, due to the influences caused by the spreading and deepenning of the financial crisis, the relationship between supply and demand has changed, international investors have changed their future estimations in cement demand from the international market. In addition, large-scale international cement producers are experiencing short-term financial constraints with international investors modifying their investment plansresulting in the cancellation of proposed new projects and modifications to existing contracted projects.

In 2008, total investment of RMB 17.23 trillion, was completed in fixed assets in the PRC, representing an increase of 25.5% on a year-on-year basis. The investment in fixed assets in the cement industry for the year 2008 which maintained the robust momentum of 2007 with an annual investment amount of RMB 96.4 billion, representing an increase of 69.8% on a year-on-year basis. The proportion of the production capacity of new dry process cement has reached 61%.

Business Review

A dramatic increase in new orders in the face of adversity and the overseas market share surging into first place

In 2008, in spite of the impact of the financial crisis and a slowdown in the global economy, coupled with a shrinkage in investment in the cement industry, the Company's cement equipment and engineering services, leveraging on its brand advantage and competitiveness, consolidated existing market shares and vigorously expanded into new markets achieving strong growth in neworders. The value of new contracts in 2008 was RMB 34,080 million, representing an increase of 37.08% on a year-on-year basis. The value of new domestic contracts was RMB 9,045 million, representing an increase of 13.89% on a year-on-year basis, which indicated that the Company had maintained its unparalleled competitive edge in the PRC market. The value of new overseas contracts was RMB 25,035 million, representing an increase of 47.97% on a year-on-year basis and accounting for 73.46% of the total value of new contracts. The value of order backlog as at 31 December 2008 amounted to RMB 47,526 million, representing an increase of 53.90% on a year-on-year basis, thereby laying a very solid foundation for the future business growth of the Company. In 2008, the Company not only obtained a substantial market share in the PRC, but also obtained a 34% market share in the overseas marketand thereby ranking first for the first time.

Management Discussion and Analysis

Smooth progress of major projects and further enhancement of SINOMA brand recognition and influence

In 2008, the Company's cement equipment and engineering services segment further raised contract risk awareness and quality for stringent execution of contracts. We ensured the smooth progress of major projects on schedule by enhancing management and strengthening the coordination of resources for related projects. In 2008, a number of major projects such as the two SCC 10,000 tonnes per day ("tpd") production lines in Saudi Arabia, the 4,000 tpd production line in Fez, Morocco, the two 6,000 tpd production lines for TCC Guigang (Phase II) and the two 6,000 tpd production lines for TCC Yingde (Phase II) were completed and were put into production successively and subsequent smooth operation. The two SCC 10,000 tpd production lines in Saudi Arabia which have a significant influence worldwide, in particular, achieved their target production capacity in April and August 2008 respectively after two years' construction. These plants reflect our business capability attaining a new height. The completion of the above major projects enhanced the recognition and influence of the SINOMA brand in the global market.

Improvement of project management, expansion of service scope and further enhancement of profitability

In 2008, the Company further enhanced the comprehensive project management of cement engineering through various measures including optimizing project design, strengthening purchasing costcontrols, increasing the proportion of applications of self-produced equipment, strengthening the coordination of resources for projects and arranging reasonable project schedules to reduce pressure brought by price rises in fuel and raw materials, the rising costs of staff and the appreciation of RMB, and thereby reversing the trend in falling grossmargins. The gross margin for the cement equipment and engineering services segment for 2008 was 11.75%, representing an increase of 1.41 percentage points as compared to 2007. With income generated in large-scale from newly signed contracts inrecent times, the trend in rising gross margins is expected to continue. In 2008, while maintaining the continuous development of its existing businesses, the Company further expanded the scope of its services, systematically consolidated the business for provisions of after-sales services, repair and maintenance technology and spare part services in the cement industry and extended the industry chain.

Improvement in technological equipment through self-innovation and continuous growth in production capacity

In 2008, through its own innovation, the Company's equipment manufacturing business, successfully developed with the operation of large raw roller mill（大型生料輥式磨）and big push burner （大推力燃燒器)and with the development of products such as the fourth-generation cooler that, following research and development, meet international advanced standards. This have led to cement equipment in the PRC attaining new standards of achievement in performance and quality.

The Company initiated the restructuring of the equipment manufacturing plants in Liyang and Yangzhou, and the construction of a new plant in Xuzhou while improving the manufacturing bases in Tangshan, Chengdu and Tianjin so that the Company's equipment manufacturing capacity increased to 330,000 tonnes per year by the end of 2008.

Optimization of organization structure and enhancement of overall competitiveness

The Company actively urged Sinoma International to solve the problem in relation to the decentralization of shareholders of subsidiaries so as to create favorable conditions for consolidating equipment manufacturing resources and to enhance the overall competitiveness and profitability of the Company. The Company also established a unified platform for providing mining engineering services by acquiring a 100% equity interest in Xi'an Engineering and restructuring it with three wholly-owned subsidiaries, Nanjing Mining Engineering, Tianjin Mining Engineering and Yanzhou Mining Engineering, into Sinoma Mining, which created conditions for the Company to leverage the overall advantages and bring it into powerful and larger position on the overall advantages.

Management Discussion and Analysis

Glass Fiber

Industry Review

Driven by continued robust sales in the global glass fiber market in the past consecutive years, the production capacity of the glass fiber industry in the PRC reached a new height in 2008, and the annual amount output through direct-melt production was 2.24 million tonnes, representing an increase of 670,000 tonnes.

During the first half of 2008, stimulated by an increase in export volume and prices, as well benefitting from new production lines coming into operation, the production capacity of glass fiber in the PRC showed steady growth and production and sales volume both surged. Since September 2008, with the deepening impact of the global financial crisis despite the upturn trend of consumer market of glass fiber in the PRC, the competition in the global glass fiber market became more intense with falling prices under the dual pressures of excess capacity and sharply declining demand in the international market. This was notwithstanding a positive trend in the PRC consumer glass fiber market. As a result, the economic efficiency of enterprises fell due to increases in inventory and the tie-up ofcapital. Some enterprises adopted measures including cold repair in advance, delayed commencement of operation of new lines, and a reduction or suspension in production to alleviate the pressure from the market with the result that the growth rate for glass fiberproduction fell. The annual output of glass fiber was 2.11 million tonnes, representing an increase of 31.88% as compared to the previous year. The proportion of direct-melt glass fiber increased to 82.5 %, and the export volume of glass fiber and glass fiber products was 1.21 million tonnes, representing an increase of 11.35% on a year-on-year basis.

Business Review

Steady expansion of production and operation

Despite the many adverse factors such as falling export tax rebate, rising labour costs, appreciation of RMB and the abrupt fall in demand due to the international financial crisis in 2008, the glass fiber segment of the Company maintained continued growth, with annual output of glass fiber and glass fiber products of 340,900 tonnes, representing an increase of 46% on a year-on-year basis, and annual sales of glass fiber and glass fiber products of 290,500 tonnes, representing an increase of 25% on a year-on-year basis. This was due to the effort of the Company to secure market opportunities and increase production and sales in the first three quarters of the year and to actively expand markets in the fourth quarter, together with the adoption of various measures including the promotion of technology innovation, the consolidation of resources and the careful scheduling of project construction.

Capturing market opportunities and enhancing production capacity

In March 2008, the Company completed the acquisition of Taishan Composite Materials and effectively consolidated its business with that of the Company to fully take advantage of the additional resources. In April 2008, the alkali-free direct-melt glass fiber production line of CTG with an annual production capacity of 60,000 tonnes commenced operation, and hence increased the Company's glass fiber production capacity. In the second half of the year, in view of the fluctuations in the market, the Company amended its investment plans by suspending the construction of one production line with an annual production capacity of 60,000 tonnes and postponing the construction of two production lines with an annual production capacity of 80,000 tonnes.

Adherence to innovation and cost reduction

The Company focused on the improvement of technology and the promotion of structural product modifications and technical skills for enhancing technological innovation. The Company successfully researched and developed a formulation for energy-saving and environmentally friendly raw materials with lower prices for extensive application in production lines for unit cost reduction, and utilized pure oxygen combustion of forehearth new technology（通路純氧燃燒新技術）and large-scale direct-melt production lines with high melting rates and low energy consumption to largely reduce the energy consumption per unit of glass liquid. In addition, research and development of new products such as roving for multiaxis （多軸向用紗）and roving for high pressure pipe（高壓管用紗）to expand the market. CTG and Sinoma Jinjing were recognized as among the first batch of new high-technology enterprises which are entitled to a preferential income tax rate of 15%. As a result, the Company managed to mitigate the adverse effects of the rising prices of energy and raw materials and achieved lower unit production costs than in the corresponding period of2007, maintaining growth in gross margins despite shrinking demand and declining prices in the fourth quarter.

Management Discussion and Analysis

Cement

Industry Overview

In 2008, the growth in the total production of cement in the PRC dropped sharply. The annual production of cement was 1.4 billion tonnes, representing an increase of 2.9% on a year-on-year basis. With the continued improvement of thestructure of industry, the clinker proportion in the new dry process cement increased to 61%. Due to an increasing degree of industry centralization, production capacity grew substantially despite considerable growth in energy prices and rising production costs.

In 2008, the regional characteristics were more obvious in the cement market in the PRC. In respect of the southeast coastal region, in the first half of the year, cement prices rose due to strong demand in the cement market driven by investment, and rising energy costs. In the second half of the year, cement prices fell steadily due to clear declining market demand and a slowdown in the growth of property investment. In respect of the midwest region, the selling price of cement maintained an upward trend due to strong market demand during the whole year which was strongly driven by the infrastructure construction and national key projects.

Business Review

Advantageous strategic position and encouraging results for the cement business in the northwest region of the PRC

During the reporting period, cement selling prices increased substantially due to strong market demand in the northwest region of the PRC, the major market of the Company. The Company captured market opportunities to fully explore the production capability and expand operational scale and thereby achieve encouraging results of operations for our cement business in the northwest region of the PRC. Tianshan Cement and NBM doubled their profits and the economic efficiency attained a record high and their market position was thereby further strengthened. Despite decreased profits from the Company's production lines in Guangdong Province and Jiangsu Province due to shrinking demand, with strong demand in the cement market in the northwest region and the integration of NBM with the Group, the operating results of the cement segment increased substantially both in production capacity and sales volumn. The total annual sales volume for cement amounted to 17.57 million tonnes, representing an increase of 49.11% on a year-on-year basis. The sales volume of clinker was 2.59 million tonnes, representing an increase of 21.7% on a year-on-year basis.

A new breakthrough in mergers and acquisitions and restructuring

In 2008, the Company completed the acquisition of NBM and thus strengthened its control in the northwest cement market. The acquisition of Yixing Henglai and assets of Zhengda Cement further boosted capacity of our cement bases in southern Jiangsu and the "Chang-Zhu-Tan" region in Hunan of the PRC. The project to acquire shareholding control of Jidong Group also proceeded actively.

With an aim to increase its shareholding in quality companies and to improve its economic efficiency, the Company also acquired the minority interests in Akesu Tianshan Duolang Cement Co., Ltd. and Ningxia Zhongning Saima Cement Co. Ltd.

Considerable growth in production capacity and reinforcement of expansion in advantageous regions

During the reporting period, the "Chang-Zhu-Tan" cement production base took shape and the predominant position in the northwest cement market in the PRC was basically formed through mergers and acquisitions and construction expansion by the Company. The production capacity of the Company's cement increased substantially to 32 million tonnes from 17 million tonnes in 2007. In order to accelerate the execution of its cement strategy in the northern region in the PRC, the Company increased its investment in newly built projects in the northwest region. Twelve clinker cement production lines with a production capacity ranging from 2,000 tpd to 4,500 tpd were constructed in the northwest region. After the completion of the above projects, the newly added production capacity of the Company will exceed 10 million tonnes per year in the northwest region.

Implementation of energy-saving and pollution reduction measures and development of clean production

The Company actively implemented clinker production line project for new dry process cement equipped with low temperature and waste heat power generation facilities. During the reporting period, four clinker production lines at Tianshan Cement, Sinoma Cement and NBM equipped with waste heat power generation facilities were completed and put into operation. The rest of the clinker production lines of the Company are expected to be operating with waste heat power generation facilities in 2009.

The Company actively conducted the comprehensive utilization of resources to reduce the consumption of natural resources, maximize the recycling of industrial wastes, improve the environment and enhance corporate profitability. After the clinker production line with a production capacity of 2,000 tpd by utilizing carbide slag to replace limestone in Urumqi, Xinjiang was put into production, construction on two clinker production lines with a production capacity of 2,000 tpd by utilizing carbide slag in a resource integrated utilization project (Phase II) is expected to start construction soon. Upon the completion of this project, the annual consumption of industrial waste such as carbide to replace limestone slag will exceed 1 million tonnes, resulting in a cost saving of approximately RMB40 per tonne, and entitlement to the policy for the exemption from the value-added tax.

High-tech Materials

Industry Review

High-tech materials are widely applied owing to their excellent features. They play an important role during national economic development, especially in the process of scientific advancement and industrial upgrade. Traditional manufacturing industry has suffered a great impact from the financial crisis, and the high-tech materials industry is also affected by it in the short term. However, from a long-term point of view, the high-tech materials industry still has a broad and promising outlook.

In 2008, under the pressures of energy safety and energy saving and emission reduction, the government of every country initiated policies which aimed at adjusting the energy structure and encouraging the development of a "low carbon economy". The PRC government also promulgated a series of policies to support the development of clean energy industries, such as wind power generation and photovoltaic industries. In 2008, the wind energy market of the PRC extended its rapid development in 2007, with an additional installed capacity of wind energy of 6.3GW. This brought the total installed capacity to 12.2GW, which was the double of that in 2007. The rapid development of clean energy and energy-saving-and-emission-reducing industries drove the continuing growth in demand for high-tech materials.

Since the outbreak of the financial crisis, clean energy has been placed in an important position in the stimulus packages successively promulgated by the developed countries. The Chinese government also announced a RMB4 trillion economic stimulus package, in which ten measures, including "strengthening the construction of an ecological environment, supporting the construction of major energy-saving and emissions-reducing projects, accelerating self-reliant innovation and supporting the industrialization of high technology and industrial technology advancement etc.", were confirmed with the aim of driving domestic demand and economic growth. This should further promote the rapid development of China's high-tech materials industry.

Business Review

Leveraging on Technological Advantages and Accelerating the Pace of Commercialization in Relation to Clean Energy Related Industries

During the reporting period, the commercialization of the high-tech materials segment was accelerated in respect of the scientific and technological achievements in clean energy-related industries. The Group's current annual production capacity of fan blades for wind power generators is 300 sets. The project of fan blades for wind power generators with annual production capacity of 500 sets and construction in Beijing is progressing smoothly. In addition, the Company plans to invest in a project with an annual production capacity of 500 sets of fan blades for wind power generators in Jiuquan, Gansu Province. The Company currently has an annual production capacity of 50,000 units for solar-energy fused silica crucibles, while an expansion project with an annual production capacity of 100,000 units was proceeding on schedule. The projects for the second phase of glass microfiber paper, the first phase of high-temperature membrane filtration materials, microcrystalline alumina ceramics expansion and fine fused quartz ceramics expansion were completed and put into production during 2008. The project to expand annual production capacity of CNG cylinders to 150,000 units underwent trial production during the period.

Rapid Development of Major Products and Stable Improvement in Results

During the reporting period, the high-tech materials segment continued to refine its product portfolio so as to focus on developing high-tech materials in line with the clean energy indutry. Both the production and sales of major products, namely wind power blades, CNG cylinders and solar-energy fused silica crucibles increased significantly, with the percentage of revenues and profits generated from them in the high-tech materials segment increased rapidly. This drove the improvement in segment results.

Shareholding Structure Optimization and Promotion of the Development of Competitive Industries

During the reporting period, Sinoma Science & Technology gained absolute control over Sinomatech Wind Power Blade Co., Ltd. through the acquisition of remaing minority shareholdings, which facilitated the development of the wind power blade segment. In addition, the Company reached an agreement with Shandong Aluminum and Beijing Guoyu to acquire their entire shareholdings in Sinoma Advanced Materials. This, together with a direct capital injection, further increased the shareholding of the Company in Sinoma Advanced Materials .

Further Improvement in Technological Innovation System and Continuing Enhancement in Innovation Capability

During the reporting period, the high-tech materials segment achieved fruitful results in the establishment of technology systems and technological innovation efforts. Sinoma Science & Technology was formally named as "Innovative Enterprise of the State"; the enterprise technology center of Sinoma Science & Technology was recognized as a state-level enterprise technology center; and Beijing Sinoma Synthetic Crystals Co., Ltd., a subsidiary of Sinoma Advanced Materials, was recognized as one of the "Top 100 innovative experimenting enterprises in Zhongguancun Science Park" by the Ministry of Science and Technology, the Chinese Academy of Sciences and Beijing municipal government.

During the reporting period, the high-tech materials segment obtained 9 awards from the PRC government and 15 patents, of which 9 were for invention. The core competitiveness of the Company was further enhanced.

Management Discussion and Analysis

FINANCIAL REVIEW

	Year ended 31 December 2008 RMB million	Year ended 31 December 2007 RMB million *(Restated)*	**Change** RMB million	%
Turnover	**25,244.82**	20,733.93	4,510.89	21.76
Cost of sales	**(20,687.37)**	(17,339.71)	(3,347.66)	19.31
Gross profit	**4,557.45**	3,394.22	1,163.23	34.27
Other gains	**599.62**	389.10	210.52	54.10
Selling and marketing expenses	**(730.85)**	(607.88)	(122.97)	20.23
Administrative expenses	**(1,773.27)**	(1,274.00)	(499.27)	39.19
Foreign exchange losses	**(238.19)**	(13.81)	(224.38)	1,624.76
Other expenses	**(277.16)**	(29.94)	(247.22)	825.72
Operating profit	**2,137.60**	1,857.69	279.91	15.07
Interest income	**196.62**	88.11	108.51	123.15
Finance costs	**(593.13)**	(428.34)	(164.79)	38.47
Share of profit of associates	**30.99**	49.97	(18.98)	(37.98)
Profit before income tax	**1,772.08**	1,567.43	204.65	13.06
Income tax expense	**(251.74)**	(402.28)	150.54	(37.42)
Profit for the year	**1,520.34**	1,165.15	355.19	30.48
Attributable to:				
Equity holders of the Company	**564.55**	486.64	77.91	16.01
Minority interests	**955.79**	678.51	277.28	40.87
Dividends	**71.43**	572.63		

Management Discussion and Analysis

Results Performance

During the reporting period, profit before income tax of the Group amounted to RMB1,772.08 million,representing an increase of 13.06% on a year-on-year basis. Profit attributable to the equity holders of the Company was RMB564.55 million, representing an increase of 16.01% on a year-on-year basis. Earnings per share of the Company was RMB0.158.

Consolidated Operating Results

The financial information for the segments presented below is before elimination of inter-segment transactions and before unallocated expenses.

Turnover

Turnover of the Group in 2008 amounted to RMB25,244.82 million, representing an increase of 21.76% as compared with RMB20,733.93 million in 2007. The increase was mainly attributable to the active expansion of markets by the Company which resulted in the increase in the product capacity and the sales volume as well as the overall increase in turnover of all segments. Turnover of the cement equipment and engineering services segment the cement segment, the glass fiber segment and the high-tech materials segment increased by RMB2,493.00 million, RMB1,448.67 million, RMB538.16 million and RMB294.20 million respectively.

Cost of Sales

Cost of sales of the Group in 2008 amounted to RMB20,687.37 million, representing an increase of 19.31% as compared with RMB17,339.71 million in 2007. The increase was mainly attributable to strengthened management of the Company through adoption of various measures to effectively control costs such that the increase in cost of sales was at a level lower than the increase in turnover. Cost of sales of the cement equipment and engineering services segment, cement segment, the glass fiber segment and high-tech materials segment increased by RMB2,015.97 million, RMB1,038.70 million, RMB362.30 million and RMB194.91million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2008 amount to RMB4,557.45 million, representing an increase of 34.27% as compared with RMB3,394.22 million in 2007. The increase was mainly attributable to the increase in gross profit of the cement equipment and engineering services segment, cement segment, the glass fiber segment and the high-tech materials segment by RMB477.03 million, RMB409.97million, RMB 175.86 million and RMB99.29 million, respectively.

The Group's gross margin increased by 1.68 percentage points from 16.37% in 2007 to 18.05% in 2008. The gross margin of all four segments reported growth.

Other Gains

Other gains of the Group in 2008 amounted to RMB599.62 million, representing an increase of 54.10% as compared with RMB389.10 million in 2007. The increase was mainly attributable to the refund of value-added tax by the government on certain cement products and the increase in government subsidies for high-tech research and development.

Selling and Marketing Expenses

The selling and marketing expenses of the Group in 2008 amounted to RMB730.85 million, representing an increase of 20.23% as compared with RMB607.88 million in 2007. The increase was mainly attributable to increased effort in sales and market expansion. Selling and marketing expenses of cement segment, the glass fiber segment and high-tech materials segment increased by RMB83.38 million, RMB40.91 million, RMB12.59 million, respectively, and the cement equipment and engineering services segment decreased by RMB 13.92 million.

Administrative Expenses

Administrative expenses of the Group in 2008 amounted to RMB1,773.27 million, representing an increase of 39.19% as compared with RMB1,274.00 million in 2007. The increase was mainly attributable to the increase in provision for decrease in valuation of inventories and increase in provision for bad debts. Administrative expenses of the cement equipment and engineering services segment, the cement segment, the high-tech materials segment and the glass fiber segment increased by RMB165.83 million, RMB156.56 million, RMB74.45 million and RMB66.58 million, respectively.

Foreign Exchange losses

Foreign exchange losses of the Group in 2008 amounted to RMB238.19 million, representing an increase of 1,624.76% as compared with RMB13.81 million in 2007. The increase was mainly attributable to higher rate of RMB appreciation, and the foreign exchange losses of RMB72.89 million which arose from the fund raised in HK dollars from the initial public offering and the over-allotment of the Company. Meanwhile, the foreign exchange losses increased by RMB165.30 million due to the Company's overseas assets which are denominated in foreign currencies increased along with the expansion of the overseas business of the Company.

Other Expenses

Other expenses of the Group in 2008 amounted to RMB277.16 million, representing an increase of 825.72% as compared with RMB29.94 million in 2007. The increase was mainly attributable to default payment from Sinoma International to SPCC and the losses for change in fair value recognised for financial derivatives instrument of Tianshan Cement.

Management Discussion and Analysis

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2008 amounted to RMB2,137.60 million, representing an increase of 15.07% as compared with RMB1,857.69 million in 2007. The increase was mainly attributable to the increase in operating profit of the cement segment, glass fiber segment, high-tech materials segment and cement equipment and engineering services segment by RMB 206.10 million, RMB72.24 million, RMB 72.40 million and RMB4.14 million, respectively. The overall operating profit margin decreased by 0.49 percentage points to from 8.96% in 2007 to 8.47% in 2008. The decrease was mainly attibutable to faster growth in administrative expenses and other expenses.

Finance Costs

Finance costs in 2008 amounted to RMB593.13 million, representing an increase of 38.47% as compared with RMB428.34 million in 2007. The increase was mainly due to increase in interest expenses as a result of the increase in bank loans for the expansion of operating scale.

Share of Result of Associates

Share of result of associates in 2008 amounted to RMB30.99 million, representing a decrease of 37.98% as compared with RMB49.97 million in 2007. The decrease was mainly attributable to the decrease in shareholding in BBMG Group Co., Ltd. ("BBMG") of the Company, and the reclassification of BBMG as available-for-sales financial asset instead of as associate.

Income Tax Expense

The Group's income tax expense in 2008 amounted to RMB251.74 million, representing a decrease of 37.42% as compared with RMB402.28 million in 2007. The decrease was mainly attributable to implementation of the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law") which reduces the corporate income tax rate from 33% to 25%, and that certain subsidiaries of the Company which have been recognized as High & New Technology Enterprises ("HNTE") in 2008 entitled to a income tax rate of 15%. The decrease was also due to increased impairment provision for reveivable and inventories which resulted in corresponding increase in deferred income tax credit and decrease in income tax expense, leading to a further decrease in effective corporate income tax rate.

Profit Attributable to Minority Interests

Profit attributable to minority interests in 2008 amounted to RMB955.79 million, representing an increase of 40.87% as compared with RMB678.51 million in 2007. The increase was mainly attributable to the relatively higher rate of growth in result of NBM and Tianshan Cement, and the relatively lower shareholdings of the Company.

Profit Attributable to Equity Holders of the Company

Based on the above, profit attributable to equity holders of the Company in 2008 amounted to RMB564.55 million, representing an increase of 16.01 % as compared with RMB486.64 million in 2007.

Segment Results

The financial information for each segment presented below is before elimination of inter-segment transactions and before unallocated expenses.

Cement Equipment and Engineering Services

	2008 RMB million	2007 RMB million *(Restated)*	**Change (%)**
Turnover	**15,548.07**	13,055.07	19.10
Cost of sales	**13,720.95**	11,704.98	17.22
Gross profit	**1,827.12**	1,350.09	35.33
Selling and marketing expenses	**131.22**	145.14	(9.59)
Administrative expenses	**777.98**	612.15	27.09
Segment results	**642.50**	639.26	0.51

Turnover

Turnover of the cement equipment and engineering services segment in 2008 amounted to RMB15,548.07 million, representing an increase of 19.10% as compared with RMB13,055.07 million in 2007. The increase was mainly attributable to the successive completion of a number of material projects, the strengthening ability of performing projects, and the increase in completion of current period constructions.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2008 amounted to RMB13,720.95 million, representing an increase of 17.22% as compared with RMB11,704.98 in 2007. The increase was mainly due to measures such as optimized project design, strengthened cost control of purchase, increased use of self-produced equipment, and rationalized arrangement of work schedules which to a certain extent alleviate pressure of volatile raw material prices, increase in labor costs and other factors.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2008 amounted to RMB1,827.12 million, representing an increase of 35.33% as compared with RMB1,350.09 million in 2007. Gross margin of the cement equipment and engineering services segment increased by 1.41 percentage points from 10.34% in 2007 to 11.75% in 2008. The increase in gross margin was mainly attributable to strengthened management, effective costs control and increased proportion of using self-produced equipment together with the obvious brand effect of "SINOMA", and the increase in price level of contracts with recognised income.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2008 amounted to RMB131.22 million, representing a decrease of 9.59% as compared with RMB145.14 million in 2007. The decrease was mainly attributable to brand effect with increased brand awareness of the Company domestically and worldwide, and the decrease in cost for market expansion.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment amounted to RMB777.98 million in 2008, representing an increase of 27.09 % as compared with RMB612.15 million in 2007. The increase was mainly attributable to increase in provision for impairment of assets, and the relatively large increase in research and development cost and labour cost.

Segment Results

Based on the above, segment results of the cement equipment and engineering services segment in 2008 amounted to RMB642.50 million, representing an increase of 0.51% as compared to RMB639.26 million in 2007.

Management Discussion and Analysis

Glass Fiber

	2008 RMB million	2007 RMB million	Change (%)
Turnover	**2,281.99**	1,743.83	30.86
Cost of sales	**1,592.30**	1,230.00	29.46
Gross profit	**689.69**	513.83	34.23
Selling and marketing expenses	**109.13**	68.22	59.97
Administrative expenses	**195.57**	128.99	51.62
Segment results	**401.52**	329.28	21.94

Turnover

Turnover of the glass fiber segment in 2008 amounted to RMB2,281.99 million, representing an increase of 30.86% as compared with RMB1,743.83 million in 2007. The increase was mainly attributable to increase in production capacity and sales volume of the Company in the first half of 2008 and the second half of 2007, respectively, when CTG had two and one production lines commencing operation, respectively .

Cost of Sales

Cost of sales of the glass fiber segment in 2008 amounted to RMB1,592.30 million, representing an increase of 29.46% as compared with RMB1,230.00 million in 2007. The increase was mainly attributable to increase in production capacity and sales volumes which resulted in corresponding increase in costs.

Gross Profit and Gross Margin

Gross profit of the glass fiber segment in 2008 amounted to RMB689.69 million, representing an increase of 34.23% as compared with RMB513.83 million in 2007. Gross margin of the glass fiber segment grew by 0.75 percentage points from 29.47% in 2007 to 30.22% in 2008. The increase was on one hand attributable to commencement of operation of new production lines, the use of new technologies which effectively reduced unit cost of production. On the other hand, the increase was attributable to strong domestic and international market demand for glass fiber in the first three quarters of 2008 which led to higher selling price and increased gross margin for the year on a year-on-year basis.

Selling and Marketing Expenses

Selling and marketing expenses of the glass fiber segment in 2008 amounted to RMB109.13 million, representing an increase of 59.97% as compared with RMB68.22 million recorded in 2007. The increase was mainly attributable to increased effort in market expansion and higher transportation costs.

Administrative Expenses

Administrative expenses of the glass fiber segment in 2008 amounted to RMB195.57 million representing an increase of 51.62% as compared with RMB128.99 million in 2007. The increase were mainly attributable to consolidation of the administrative expenses of Taishan Composite Materials and strengthened research and development which resulted in relatively higher growth of research and development costs.

Segment Results

Based on the above, segment results of the glass fiber segment in 2008 amounted to RMB401.52 million, representing an increase of 21.94 % as compared to RMB329.28 million in 2007.

Cement

	2008 RMB million	2007 RMB million *(Restated)*	Change (%)
Turnover	**6,251.46**	4,802.79	30.16
Cost of sales	**4,564.68**	3,525.98	29.46
Gross profit	**1,686.78**	1,276.81	32.11
Selling and marketing expenses	**433.36**	349.98	23.82
Administrative expenses	**500.26**	343.70	45.55
Segment results	**1,037.32**	831.22	24.79

Turnover

Turnover of the cement segment in 2008 amounted to RMB6,251.46 million, representing an increase of 30.16% as compared with RMB4,802.79 million in 2007. The increase was mainly attributable to strong demand for cement in the markets in Xinjiang, Ningxia and southern area of Shaanxi which resulted in continuous satisfactory sales, and increased sales volume and price of cement.

Cost of Sales

Cost of sales of the cement segment in 2008 amounted to RMB4,564.68 million, representing an increase of 29.46% as compared with RMB3,525.98 million in 2007. The increase was mainly attributable to increased sales volume and substantial rise in the price of raw coal in Guangdong and Jiangsu provinces.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2008 amounted to RMB1,686.78 million, representing an increase of 32.11% as compared with RMB1,276.81 million in 2007. Gross margin of the cement segment grew by 0.40 percentage points from 26.58% in 2007 to 26.98% in 2008. The increase was mainly attributable to strong demand of the cement market in the northwest region of China driven by investment which pushed sales volume of cement to a new high while the price remained at a high level.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2008 amounted to RMB433.36 million, representing an increase of 23.82% as compared with RMB349.98 million in 2007. The increase was mainly attributable to corresponding increase in sales volume, transportation costs and packaging expenses accordingly.

Administrative Expenses

Administrative expenses of the cement segment amounted to RMB500.26 million in 2008, representing an increase of 45.55% as compared with RMB343.70 million in 2007. The increase was mainly attributable to increase in equipment renovation costs and staff costs.

Segment Results

Based on the above, segment results of the cement segment in 2008 amounted to RMB1,037.32 million, representing an increase of 24.79% as compared with RMB831.22 million in 2007.

Management Discussion and Analysis

High-tech Materials

	2008 RMB million	2007 RMB million	Change (%)
Turnover	**1,460.97**	1,166.77	25.21
Cost of sales	**1,089.65**	894.74	21.78
Gross profit	**371.32**	272.03	36.50
Selling and marketing expenses	**57.14**	44.55	28.26
Administrative expenses	**186.88**	112.43	66.22
Segment results	**210.60**	138.26	52.32

Turnover

Turnover of the high-tech materials segment in 2008 amounted to RMB1,460.97 million, representing an increase of 25.21% as compared with RMB1,166.77 million in 2007. The increase was mainly attributable to the further speeding up of technological commercialization of relevant industries in clean energy, thus it leads to increase in production capacity and sales volumes of wind power blades, CNG cylinders and solar-energy fused silica crucibles.

Cost of Sales

Cost of sales of the high-tech materials segment in 2008 amounted to RMB1,089.65 million, representing an increase of 21.78% as compared with RMB894.74 million in 2007. The increase was mainly attributable to increase in turnover and corresponding increase in costs.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2008 amounted to RMB371.32 million, representing an increase of 36.50%, as compared with RMB272.03 million in 2007. Gross margin of the high-tech materials segment grew by 2.11 percentage points from 23.31% in 2007 to 25.42% in 2008. The increase was mainly attributable to the fact that materials for clean energy source, which have been a focus of development of the Company, recorded higher gross margin and faster growth in the proportion of sales.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2008 amounted to RMB57.14 million, representing an increase of 28.26% as compared with RMB44.55 million in 2007. The increase was mainly attributable to strengthened market expansion and increase in transportation costs of new products.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2008 amounted to RMB186.88 million, representing an increase of 66.22% as compared with RMB112.43 million in 2007. The increase was mainly attributable to relatively higher research and development costs and the increase in staff costs, provision for assets impairment.

Segment Results

Based on the above, segment results of the high-tech materials segment in 2008 amounted to RMB 210.60 million, representing an increase of 52.32% as compared with RMB138.26 million in 2007.

Liquidity and capital resources

Cash flows:

	2008 RMB million	2007 RMB million
Net cash generated from operating activities	**5,958.71**	3,552.50
Net cash flow used in investing activities	**(8,221.34)**	(2,984.04)
Net cash flow generated from financing activities	**3,749.27**	4,472.16
Cash and cash equivalents at the end of the year	**10,252.39**	8,780.13

Net cash generated from operating activities

Net cash generated from operating activities increased from RMB3,552.50 million in 2007 to RMB5,958.71 million in 2008. The increase was mainly attributable to in trade and other payable, which was offset by the increase in the inventories.

Net cash flow used in investing activities

Net cash flow used in investing activities increased from RMB2,984.04 million in 2007 to RMB8,221.34 million in 2008. The increase were mainly attributable to increase in increase in cash outflow on corporate merger and acquisition and the construction of new production lines.

Net cash flow generated from financing activities

Net cash inflow generated from financing activities decreased from RMB4,472.16 million in 2007 to RMB3,749.27 million in 2008. The increase was mainly attributable to the fact that the total proceeds raised in 2008 was less than the proceeds raised from the initial public offering of H shares in 2007, despite proceeds raised by over-allotment and increased borrowings in 2008.

Working Capital

As at 31 December 2008, the Group's cash and cash equivalents of the Group amounted to RMB10,252.39 million (2007: RMB8,780.13 million). Unutilized bank facilities amounted to RMB6,821.97 million (2007: RMB2,076.81 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2008 decreased to 97.70% (2007: 110.15%).

The Group monitors its capital on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratio of the Group as at 31 December 2008 was 17.17%.

With stable cash inflow from daily operating activities as well as existing unutilised bank facilities, the Group has sufficient resources for its future expansion.

Net Current Assets (Liabilities)

As at 31 December 2008, the net current liabilities of the Group amounted to RMB616.05 million, representing a decrease of RMB2,342.29 million as compared with the net current assets of RMB1,726.24 million as at 31 December 2007. The decrease was mainly attributable to the increase in bank balance and cash of RMB1,472.25 million, the increase in restricted cash of RMB3,116.41 million, the increase in current portion of trade and other receivables of RMB1,384.06 million and the increase in inventory of RMB1,436.99 million, which were offset by the increase in current portion of trade and other payables of RMB6,432.92 million and increase in borrowings of RMB3,729.89 million.

Inventory Analysis

As at 31 December 2008, the inventory of the Group amounted to approximately RMB4,014.73 million, representing an increase of RMB1,436.99 million as compared with the inventory of RMB2,577.74 million as at 31 December 2007. The inventory turnover days increased to 58.16 days from 52.98 days in 2007. The increase was mainly attributable to the increase in the inventory turnover days of the glass fiber segment as a result of the impact of shrinking overseas markets.

Trade Receivables and Trade Payables

As at 31 December 2008, the Group's trade receivables of the Group amounted to approximately RMB2,603.05 million, representing a decrease of RMB11.43 million as compared with the trade receivables of RMB2,614.48 million as at 31 December 2007. In 2008, the cement equipment and engineering services segment, the cement segment and the high-tech materials segment had an improved turnover rate for trade receivables and hence the average turnover days for trade receivables of the Company decreased from 43.19 days in 2007 to 42.12 days in 2008. As at 31 December 2008, the trade payables of the Group amounted to RMB5,823.20 million, representing an increase of RMB1,183.42 million as compared with the trade payables of RMB4,639.78 million as at 31 December 2007. The turnover days of trade payables increased from 84.55 days in 2007 to 92.05 days in 2008.

Management Discussion and Analysis

Contract Work-in-Progress

As at 31 December 2008, the Group's contract work-in-progress decreased by RMB227.96 million from RMB153.54 million as at 31 December 2007 to approximately RMB-74.42 million, which was mainly attributable to the completion of certain large-scale projects and the speed-up of settlement with customers in certain projects.

Contingent Liabilities

	The Group	
	2008	2007
	RMB'000	RMB'000
Outstanding proceeding or arbitration	**24,000**	80,821
Outstanding guarantee	**963,900**	637,418
Total	**987,900**	718,239

Capital Expenditure

During the reporting period, the capital expenditure of the Group amounted to approximately RMB 6,525.22 million, representing an increase of RMB3,761.22 million as compared with the capital expenditure of RMB2,764.00 million in 2007. During the year 2008, capital expenditures of the cement equipment and engineering services segment, glass fiber segment, cement segment and high-tech materials segment amounted to RMB413.04 million, RMB1,943.47 million, RMB3,640.33 million and RMB527.92 million, respectively. These expenditures were mainly applied to the construction of two production lines with an annual production capacity of 60,000 tonnes of glass fiber each, ten cement clinker production lines and CNG cylinder, blades for wind power generators, the reconstrultion and expansion of equipment manufacturing enterprises, and the acquisition of Taishan Composite Materials and Yixing Henglai, etc.

Material Investments

During the reporting period, the Company did not have any material investments.

Material Acquisitions and Disposals of Assets

During the reporting period, the Company did not have any material acquisitions disposals of assets.

Market Risks

The Company is exposed to various types of market risks in the normal course of its business, including contract risk, foreign exchange risk, interest rate risk and raw materials and energy price risk.

Contract Risks

The international business accounts for a large proportion in the Company's cement equipment and engineering businesses, with a long construction period. The project construction contracts already executed mayhave the risks of being amended or terminated, as the international economic crisis has not bottomed yet, and will possibly continue to spread and deteriorate, which may have an impact on some customers' ability to pay or pre-judgment over local market demands.

During the reporting period, the Company further enhanced the management of contract risks, standardized newly-executed contract terms and improved the enforcement of contracts. For the contracts at hand, the Company made arrangement and carried out risk prevention plan. For the projects under construction, the Company enhanced the assessment of customers' payment risks, paid close attention to customers' qualifications, and conducted periodical settlement in time. For delay and suspension in the construction of the related projects, the Company actively communicated with customers to avoid losses. The Company will continue to strengthen the above measures in the future to effectively address the contract risks.

Foreign Exchange Risks

The Company conducts its domestic business primarily in RMB, which is also its functional currency for its domestic business. However, overseas engineering business and export of products are denominated in foreign currencies, primarily US dollar and Euro.. Therefore, the Company to bears the risks of fluctuations of exchange rate in certain extent. During the reporting period, to mitigate the risks arisen from fluctuation of exchange rate in RMB, the Company proactively took measures including adoption of new terms to new project contracts, such as applying fixed exchange rates, selling price subject to fluctuations of foreign exchange rate and entering into forward contracts with fixed exchange rates between RMB and Euro or US dollar in order to reduce the effect to the Company's results arising from the foreign exchange losses as much as possible. The Company will continue to strengthen the above measures in the future to effectively address the risks arisen from the fluctuation in exchange rate.

Interest Rate Risks

The Company is exposed to risks resulting from fluctuations in interest rates on its debt. The Company raises borrowings to support general corporate purposes, including capital expenditures and working capital requirements. The majority of the Company's borrowings are short term borrowings subject to adjustment by its lenders in accordance with changes in the People's Bank of China regulations. In 2008, bigger changes were made to the national currency policy. Under the current active financial policy and appropriate liberal currency policy, it is still possible that interest rates will decline continuously. In order to mitigate the risks arising from the increase in RMB interest rate, the Company enters into borrowing contracts respectively with floating interest rates over short term and fixed interest rates over medium-to-long term, based on the analysis on interest rates trend and use of capital. Meanwhile, taking the advantage of the Group's overall edge, the Group strengthens its cooperation with the banks to secure prime loans and optimizes the internal fund allocation to maintain reasonable capital structure and improve capital utilization efficiency.

Raw Materials and Energy Price Risks

The Company mainly consumes raw materials and energy sources, such as steel, coal, electric power and natural gas, the price fluctuation of which has a significant impact on the cost effectiveness of the Company. Currently, steel price is already at the lower end, a decline in coal price is still possible, and prices of in electric power and natural gas basically remain stable. The Company will utilise optimised design to reduce the consumption of raw materials and incorporate compensation terms for rising price of major raw materials in the contracts. It will also increase its effort in technological improvement to reduce energy consumption and adjust its energy structure to reduce the cost of energy. Measures such as increasing effort in tendering and purchase and control in cost of purchase will be adopted to mitigate the risks arisen from the rising prices of raw materials and energy.

Biography of Directors, Supervisors and Senior Management

Executive Directors

TAN Zhongming, aged 55, is the executive Director and the Chairman of the Board, he is primarily responsible for the formulation of development strategies and overall business planning of the Company. Mr. Tan has also served as the general manager of our Parent since October 2000. From March 2002 to July 2007, he served as the general manager of our predecessor, China National Non-Metallic Materials Corporation. Mr. Tan possesses in-depth knowledge as well as extensive managerial and operational experience in this industry. Mr. Tan has served in various key management positions such as the chief deputy head of Shandong Weifang Cement Factory and the chief deputy head of the Lunan Cement Factory(魯南水泥廠). From 1995 to October 2000, Mr. Tan has served a number of key government positions in the State Bureau of Building Materials Industry（國家建築材料工業局）such as the head of the production control and industry departments. Mr. Tan is also a director of four A Shares listed companies, namely, Sinoma International, Sinoma Science & Technology, Tianshan Cement and Saima Industry, since December 2001, December 2004, December 2006 and December 2008 respectively. Mr. Tan is entitled to a special government allowance provided by the State Council. He was awarded with the titles as Outstanding Entrepreneur in the National Building Materials Industry in 2004 and National Labour Model（全國勞動模範）in 2005. Mr. Tan also serves as vice president of China Building Materials Federation, president of China Building Materials Construction Society, vice president of China Cement Association and vice president of China Association of Construction Enterprise Management. Mr. Tan is the representative of the 13th People's Congress of Beijing Municipality. Mr. Tan graduated from Xi'an Jiaotong University（西安交通大學）in June 1999 with a doctoral degree in management studies and he is also a professorate senior engineer.

YU Shiliang, aged 54, is the executive Director and president of the Company during the reporting period. He is primarily responsible for the overall daily business operation and implementation of development strategies. Mr. Yu was re-designated as a non-executive Director of the Company and ceased to be the President of the Company since 27 March, 2009. He served as the general manager of our Parent from April 1997 to October 2000 and served as the deputy general manager of our Parent from October 2002 to October 2007. Mr. Yu has worked over 25 years in the non-metal materials industry and therefore has gained extensive operational and managerial experience as well as in-depth knowledge of this field. Mr. Yu has served various positions in Xianyang Research & Design Institute of Ceramics(國家建材局咸陽陶瓷研究設計院）such as the deputy head and head of the institute since 1984 and served as the head of the Synthetic Crystals Research Institute（人工晶體研究所）, currently a subsidiary of our Parent, from April 1995 to April 1997. Mr. Yu was also a director of Sinoma Science & Technology , an A Share-listed company, from December 2001 to December 2004 and from March 2008 to present. Mr. Yu was entitled to a special government allowance provided by the State Council in 1993. In 2006, he was the fifth National Outstanding Entrepreneur in Innovation. In 1999 and 2007, he was awarded with the title as Top Ten News Figures in the PRC Building Materials Industry(全國建材行業十大新聞人物). Mr. Yu also serves as vice chairman of Chinese Ceramic Society and deputy director of the Information Committee of the China Enterprise Confederation. Mr. Yu was the representatives of the 16th and 17th National People's Congress of Communist Party. Mr. Yu graduated from Nanjing University of Technology（南京工業大學）in August 1978 majored in ceramics and he is also a professorate senior engineer.

Non-executive Directors

LIU Zhijiang, aged 51, is the non-executive Director of the Company. He is primarily responsible for the supervision of financial management and formulation of development strategies. He serves as the deputy general manager of Parent since May 2005. Mr. Liu also serves as the chairman of the board of Sinoma International, an A Share-listed company, since April 2006. He has over 25 years of experience in the PRC non-metal materials industry. Mr. Liu has served a number of key positions in TCDRI Institute, currently a subsidiary of Parent, since August 1982 such as deputy head and head of the institute. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded with the titles as Provincial Young and Middle aged Expert with Important Contribution（省部級有突出貢獻的中青年專家）, China Engineering Design Master and was included in the first group of national candidates for the New Century Hundred-Thousand-Ten Thousand Talents Project（新世紀百千萬人才工程）. He also serves in various positions such as vice president of China Building Materials Federation, vice chairman of China Building Material Industry Science and Technology Education Committee, the vice president of China Cement Association and vice president of China Project Construction Association. Mr. Liu graduated from South China University of Technology（華南理工大學）in July 1982 majored in binding materials and is also a professorate senior engineer.

ZHOU Yuxian, aged 45, is the non-executive Director of the Company during the reporting period, he is primarily responsible for the formulation of development strategies and overall business planning. Mr. Zhou was re-designated as an executive Director and the president of the Company since 27 March 2009. He has also been serving as the deputy general manager of our Parent since October 2000. Mr. Zhou has over 25 years of experience in the PRC non-metal materials industry. Mr. Zhou has served a number of key positions in the Synthetic Crystals Research Institute(人工晶體研究所)since August 1983, such as the deputy head and head of the institute. Mr. Zhou is also a director of Sinoma Science & Technology and Saima Industry, both A Shares listed companies, since December 2001 and December 2008 respectively. Mr. Zhou is entitled to a special government allowance provided by the State Council. He also serves in various positions such as Standing Committee of the Youth Association of the State-owned Enterprises, the committee member of All-China Youth Federation, vice chairman of China Capital Entrepreneurs' Club and member of the Standing Committee of Chinese Youth Entrepreneurs' Association. Mr. Zhou graduated with a master degree in engineering from Wuhan University of Technology(武漢理工大學) in December 2003 and is qualified as a professorate senior engineer.

CHEN Xiaozhou, aged 46, is the non-executive Director of the Company, he is primarily responsible for the formulation of development strategies and overall business planning. Mr. Chen also has served as vice president of Cinda since January 2003. He joined Cinda in April 1999 where he has served as assistant to president since September 2000. Prior to that, Mr. Chen worked at China Construction Bank and its predecessor as head of finance department of the international banking sector and deputy general manager of business operation sector from August 1988 to August 1999. Mr. Chen is currently chairman of the board of Well Kent and chairman of the board of Silver Grant International Industries Limited and Cinda International Holdings Limited since February 2006 and December 2008 respectively. Mr. Chen graduated from PBOC's Financial Research Institute(中國人民銀行總行金融研究所)in June 1988 with a master degree in currency banking and was awarded a master degree in international accounting by New South Wales University of Australia.

Independent Non-executive Directors

YANG Yuzhong, aged 64, is the independent non-executive Director of the Company, he is primarily responsible for the formulation of development strategies and overall business planning. He served various positions including the deputy chief engineer and head of the China Aero-Polytechnology Establishment（中國航空綜合技術研究所）and deputy chief of the China Aviation Research Institute（中國航空研究院副院長)from 1975 to 1992 and for China Aviation Industry HQ（中國航空工業總公司科技司）as the deputy director general of the technology sector and director general of the quality control department from October 1993 to June 1997. He was appointed as the deputy general manager of China Aviation Industry Corporation I（中國航空工業第一集團公司)from June 1997 to July 2006. Mr. Yang also served as chairman of the board of AVIC I Commercial Aircraft Co. Ltd.（中航商用飛機有限公司）from September 2002 to August 2006. Currently, he serves as a consultant to China Aviation Industry Corporation（中國航空工業集團公司）, an independent non-executive director of China South Locomotive and Rolling Stock Corporation Limited（中國南車股份有限公司）and a member of the scientific planning committee of China Development Bank （國家開發銀行）. Mr. Yang has extensive managerial experience for substantive periods in various enterprises. Mr. Yang was graduated from Beihang University（北京航空航天大學）in July 1967 majored in aircraft design and building.

ZHANG Lailiang, aged 61, is the independent non-executive Director of the Company. He is primarily responsible for the supervision of the financial management within the Company. He has served various positions including the deputy general manager of Luzhong Metallurgy and Mining Group Corporation(冶金部魯中礦業公司)from February 1984 to June 1991. Mr. Zhang served as the director general of the economics control division and structural reform division of the Ministry of Metallurgy（冶金部）from June 1991 to October 2000. From October 2000 to August 2002, Mr. Zhang served as deputy director and head of the supervisory committee of the Office of Workers Committee of Central Enterprises（中央企業工委辦公廳）. He has also served as vice chairman of the board of Xinxing Iron Pipes Group（新興鑄管集團有限公司）from August 2002 to July 2007. Mr. Zhang graduated from Shandong Metallurgical Institute of Technology（山東冶金學院）in July 1968 majored in civil construction and also holds a degree in management and engineering awarded by Xi'An University of Architecture and Technology （西安建築科技大學）in December 1983 and the Party School of the Central Committee of the Communist Party of China (CPC)(中共中央黨校）in December 1994, majored in economics and administration management.

ZHANG Qiusheng, aged 40, is the independent non-executive Director of the Company. He is primarily responsible for the supervision of the financial management within the Company. Mr. Zhang is a certified tax counsel in the PRC and he has an in-depth knowledge in economics and accounting where he is appointed as a council member of the China Accounting Association （中國會計學會）. He is also an independent non-executive director for China Railway Tielong Container Logistics Co. Ltd（中鐵鐵龍集裝箱物流股份有限公司）, a company listed on the Shanghai Stock Exchange since 2002, Luyin Investments Group Co. Ltd（魯銀投資集團股份有限公司）, a company listed on the Shanghai Stock Exchange since 2004 and Yuyuan Holding Co. Ltd(玉源控股股份有限公司), a company listed on the Shenzhen Stock Exchange since 2002. He is also an external director of China Chengtong Group（中國誠通控股集團有限公司）. Mr. Zhang graduated from Beijing Jiaotong University School of Economics and Management （北京交通大學經濟管理學院）in December 1992 where he holds a doctorate degree in economics and is currently a professor as well as tutor for doctorate candidates. He is also the director of the Centre of China Mergers and Acquisitions Research of Beijing Jiaotong University(北京交通大學中國企業兼併重組研究中心）. Prior to that, Mr. Zhang was an accounting lecturer from December 1992 to December 1994, a deputy professor of the accounting department of the Beijing Jiaotong University（北京交通大學)from December 1994 to July 1997. He was also a senior visiting scholar of University of Colorado, USA from August 1996 to August 1997.

Biography of Directors, Supervisors and Senior Management

LEUNG Chong Shun, aged 43, is the independent non-executive Director of the Company, he is primarily responsible for the formulation of remuneration strategy and remuneration plans of the Company. Mr. Leung has also been serving as an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd,（利君國際醫藥（控股）有限公司）a company listed on the Hong Kong Stock Exchange since October 2005. Mr. Leung is a partner of Woo Kwan, Lee & Lo.（胡關李羅律師行）, a reputable law firm based in Hong Kong. Mr. Leung has practiced law in Hong Kong since 1991 and was graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as a solicitor in both Hong Kong and England.

Supervisors

XU Weibing, aged 49, is the Chairman of the supervisory committee of the Company. Ms. Xu has been serving as the chief accountant of our Parent since October 2000 and the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since 2005. She has over 25 years experience in financial accounting and capital operations experience. Ms. Xu joined our Parent since 1989 and has served various key accounting and financial positions. Ms. Xu is entitled to a special government allowance provided by the State Council. She also serves as the committee member of China Association of Chief Financial Officers, deputy head of building materials sub-committee of the Accounting Society of China and deputy head of geological sub-committee of the Accounting Society of China. Ms. Xu graduated from Liaoning Finance & Economics Institute（遼寧財經學院）majored in finance in July 1983 and she is also a senior accountant.

WANG Baoguo, aged 53, is the Supervisor of the Company. He has been the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation, since October 2004 as well as the chairman of the board of directors and general manager of Sinoma Jinjing. Mr. Wang has been working for the Shandong Economic Planning Commission（山東省計委）from 1981 to 1992. He has also served as the deputy mayor of Dongying City, Shandong Province（山東省東營市副市長）from December 1992 to October 2003. Mr. Wang graduated from the Party School of the Central Committee of the Communist Party of China (CPC)（中共中央黨校）majored in economics and management. He is a senior economist.

WANG Jijun, aged 50, is the Supervisor of the Company during the reporting period. Mr. Wang resigned as a Supervisor of the Company with effect from 14 April 2009. Mr. Wang has been serving as the secretary of the board of directors and deputy general manager of CTG since 2001. Mr. Wang has worked in the PRC mining industry since 1982. He joined Taian Taishan Composite Materials Co., Ltd.（泰安泰山複合材料有限公司）in April 2000, since then, he has served a number of senior positions within the company including the deputy general manager and secretary of the board of directors until December 2001. Mr. Wang obtained a bachelor's degree in mining from Shandong Metallurgical Institute of Technology（山東冶金工業學院）in January 1982 and is a senior economist.

WANG Jianguo, aged 52, is the Supervisor of the Company. Mr. Wang has been serving as director of BBMG since November 2005 and chairman of the labor union of BBMG and its predecessor, Beijing Building Material Group Corporation（北京建材集團總公司）since August 2000. Mr. Wang has also worked with Beijing Building Material Group Corporation as the operational manager and the vice president of the labor union from September 1995 to August 2000. Prior to that, he served as the deputy head of the factory in Beijing Ceramics Factory（北京市陶瓷廠）from March 1992 to September 1995. Mr. Wang graduated from Capital University of Economics and Business（首都經貿大學）in July 1987 and majored in Economics. He is an economist.

ZHANG Lirong, aged 52, is the employee representative supervisor of the Company. Ms. Zhang is also the president of Tianshan Cement since October 2004. She has served various positions in Xinjiang Cement Factory（新疆水泥廠）such as chief economist and deputy head of the factory from December 1975 to April 1995. Ms. Zhang has also been appointed as the deputy director-general and director-general of Xinjiang Administration of Construction Materials（新疆建材局）from May 1995 to September 1999. Ms. Zhang is a director of Tianshan Cement since 1998. She has served as chairman of the board of Tianshan Cement from October 1998 to October 2004. Ms. Zhang was an on-job graduate student of Yunnan University（雲南大學）and is a senior economist.

WANG Wei, aged 52, is the employee representative Supervisor of the Company. Mr. Wang has been serving as the director and president of Sinoma International since December 2001. Mr. Wang joined our Parent since 1984 and he has served as deputy head of the Nanjing Cement Industry Design & Research Institute（南京水泥工業設計研究院）. Mr. Wang has also served as vice general manager and general manager of China National Non-Metallic Materials Corporation from June 2001 to March 2002. Mr. Wang graduated from Nanjing University of Technology（南京工業大學）majored in cement and is a professorate senior engineer.

YU Xingmin, aged 53, is the employee representative Supervisor of the Company. Mr. Yu has been serving as vice president of Sinoma International and the chairman of the board as well as the general manager of TCDRI since August 2005 and November 2006, respectively. Mr. Yu worked in TCDRI Research Institute as among other roles deputy head and head of the institute since February 1982. At present, Mr. Yu also serves as the vice president of China Federation of Building Materials Industries. Mr. Yu graduated from Harbin Institute of Technology（哈爾濱工業大學）majored in cement . He is a professorate senior engineer and a National Engineering Survey and Design Master.

Senior Management

YU Shiliang, is the president of the Company during the reporting period, please refer to the section headed “Executive Directors” for details.

LI Xinhua, aged 44, is the Vice President of the Company who is primarily responsible for the overall human resources management, business development and investment planning. Mr. Li has been serving as chairman of the board of directors of Sinoma Science & Technology since May 2003. He has over 20 years of experience in the non-metal materials industry. Mr. Li first joined Beijing FRP Research and Design Institute（北京玻璃鋼研究設計院）, currently a subsidiary of our Parent, since August 1985 and has served various key positions such as vice president and president of the institute. Mr. Li is National Young and Middle aged Expert with Important Contribution（國家有突出貢獻的中青年專家）and is entitled to a special government allowance provided by the State Council. At present, Mr. Li also serves as vice president of China Building Materials Federation, vice president of Chinese Society for Composite Materials, president of China Composite Industry Association and vice chairman of China Building Material Industry Science and Technology Education Committee. Mr. Li graduated from Shandong Institute of Building Materials（山東建材學院）in July 1985 with a bachelor’s degree in chemistry. He is a professorate senior engineer.

YU Mingqing, aged 45, is the Vice President of the Company who is primarily responsible for the management of the economic operation, informative and high-tech materials industries of the Company. Mr. Yu also currently serves as the chairman of the board of Sinoma Advanced Materials since October 2004. Mr. Yu first has worked at Shangdong Industrial Ceramics Research and Design Institute（山東工業陶瓷研究設計院）, currently a subsidiary of our Parent, from July 1989 to April 2001, where he served various key positions such as vice president and president of the institute. Mr. Yu has also served as the head of Sinoma Synthetic Crystals Research Institute（中材人工晶體研究院）from May 2001 to October 2004 and Vice President of China National Non-Metallic Materials Corporation from October 2004. Mr. Yu has been involved in the production, operation and management of non-metal materials for over 20 years and has accumulated rich knowledge of the industry. He is a Young and Middle aged Expert with Outstanding Contribution to the National Building Materials Industry （國家建行業有重要貢獻的中青年專家）, an Outstanding Entrepreneur in the National Building Materials Industry（全國建材行業優秀企業家）, and entitled to a special government allowance provided by the State Council. Mr. Yu also serves as president of China Building Materials Federation, member of China Building Material Industry Science and Technology Education Committee, standing director of Chinese Ceramic Society, vice chairman of Special Ceramics Sub-Committee, vice president of China Stone Material Industry Association and vice chairman of Zhong Guancun Advanced Materials Industrial Association. He graduated from Wuhan University of Technology（武漢理工大學）in January 2003 majored in materials and holds a doctorate degree. He is also a professorate senior engineer.

GU Chao, aged 48, is the Vice President of the Company who is primarily responsible for the production operation of the equipment and engineering services segment, the production safety control and management of environmental matters. He has served as a deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since September 2000. Mr. Gu first joined China Building Materials Industry Construction Corporation （中國建築材料工業建設總公司）, our predecessor since 1989 where he has served various senior managerial positions in the production, business development and foreign engineering departments. Mr. Gu has over 25 years of work experience in the non-metal materials industry and he has profound understanding of this industry in China. Mr. Gu graduated from Xi’an University of Architecture and Technology（西安冶金建築學院） in July 1982 majored in constructions and he is also a senior engineer.

SU Kui, aged 46, is the Vice President and Secretary of the Board who is primarily responsible for assisting directors to handle daily duties of the Board of Directors and assisting directors and president to comply with both domestic and foreign law, regulation, articles of association and other relevant requirements when exercising their authority. He is also in charge of coordination of information disclosure, maintaining investor relations and organization of financing in capital market. Mr. Su has been serving as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation since March 2002 Mr. Su has extensive experience in enterprise investment, operation and management, and has more than 20 years of experience in the non-metals materials industry. He joined our Parent since 1987 and has held various positions such as manager of the general planning division and the manager of finance department and assistant to general manager of the corporation. Mr. Su graduated from Wuhan University of Technology（武漢理工大學）in July 1984 majored in non-metals mining and is a senior engineer.

JIN Leyong, aged 54, is the Vice President of the Company who is primarily responsible for the management of the overall general and daily operation and all legal related matters of the Company. He served as the Vice President of our predecessor, China National Non-Metallic Materials Corporation since December 2005. Before taking on this office, Mr. Jin has held various positions such as assistant engineer, engineer, department head and assistant to president of TCDRI Institute from January 1982 to June 1992. Mr. Jin then joined China Nongfang North Corporation（中國農房華北公司）and served as the deputy general manager and general manager from June 1992 to October 1999. Mr. Jin was then appointed as the deputy chief bureau of State Building Materials Bureau Retirement Department （國家建材局離退休幹部局）from October 1999 to October 2001. Mr. Jin first joined our Parent in October 2001 and has served in various subsidiaries of our Parent holding senior managerial positions such as deputy vice president of CBMC and President of Beijing FRP Research and Design Institute. Mr. Jin has over 25 years of experience in the building materials industry. He graduated from Wuhan University of Technology（武漢理工大學）in January 1982 with a bachelor’s degree in constructions and is a professorate senior engineer.

Biography of Directors, Supervisors and Senior Management

SUI Yumin, aged 44, is the Vice President of the Company who is primarily responsible for the overall management of business and production operations of the cement segment. Before Mr. Sui joined the Group in August 2003, he held various positions in Lunan Cement Factory（魯南水泥廠）such as deputy chief engineer and deputy general manager from August 1986 to August 2003. He worked as the deputy general manager of Sinoma Cement and the chairman and general manager of Sinoma Hanjian from August 2003 to September 2004. Subsequently he served as the deputy general manager and executive deputy general manager for Tianshan Cement until July 2007. He serves as director of Saima Industry since December 2008. Mr. Sui has extensive work experience in the cement industry for over 20 years. Mr. Sui graduated from Shandong Institute of Building Materials(山東建材學院)in July 1986 majored in cement engineering and is a senior engineer.

ZHANG Zhifa, aged 55, is the Vice President of the Company who is primarily responsible for the overall management of business and production operations of the glass fiber segment and is the chairman of the board of CTG since January 2002. Mr. Zhang has over 25 years in the non-metal materials industry. Mr. Zhang first joined the Group in July 2007 and prior to that he worked for Taian Dongping Cement Factory（泰安市東平水泥廠）as deputy head and head of the factory from January 1978 to June 1986. Since then Mr. Zhang worked in Taian Building Materials Bureau（泰安市建材工業局）until 1999 serving various positions such as deputy head. He also served as the chairman of the board and general manager of Taian Taishan Composite Materials Co., Ltd.（泰安市泰山複合材料有限公司）from June 2000 to December 2001. At present, he also serves as the vice president of China Building Materials Federation. Mr. Zhang was a representative of the 11th National People's Congress, a specialist professor commissioned under the Scheme of Taishan Scholars of Shandong Province.. He graduated from Nanjing University of Technology（南京工業大學）in January 1978 majored in silicate materials and is a professorate senior engineer.

LIU Biao, aged 42, is the Chief Financial Officer of the Company who is primarily responsible for financial planning, budgeting, accounting, auditing, treasury management and state-owned assets management. Mr. Liu joined Hunan Bureau of the General Administration of Civil Aviation of China（中國民航湖南省管理局）and worked as an accountant in the finance department and deputy director from July 1987 to August 1992. Mr. Liu subsequently joined China Southern Airlines Company Limited(中國南方航空股份有限公司)and held key finance related positions from August 1992 to June 1998. Mr. Liu also served various senior managerial and supervising positions such as head of the auditing department and deputy chief supervisor of the supervisory bureau in China Southern Air Holding Company（中國南方航空集團公司）and its subsidiaries from June 1998 to August 2007. He graduated from Hunan College of Finance & Economics（湖南財經學院）majored in accounting and was awarded a master degree in business administration by Wuhan University（武漢大學）in June 2007. Mr. Liu is a qualified accountant and a member of the Chinese Institute of Certified Public Accountants.

CHAN Wing Hang, aged 31, is the Joint Company Secretary and Qualified Accountant of the Company who is primarily responsible for the accounting, company secretarial and compliances functions. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Chan worked in various Hong Kong Main Board listed companies, he has served as positions including Qualified Accountant and company secretary. Mr. Chan has served as the assistant financial controller and company secretary of Western Mining Co., Ltd.（西部礦業股份有限公司）, a company which issued and listed its A shares on Shanghai Stock Exchange in July 2007, who managed its compliance, company secretarial and accounting units. Mr. Chan has 10 years of experience in accounting, finance, taxation planning, investor relationship management, compliance, project financing and initial public offerings. He graduated from City University of Hong Kong（香港城市大學）in November 1999 with a degree of Bachelor of Business Administration (Honours) in Accountancy.

Directors, supervisors and senior management have no other relationships with other directors, supervisors and senior management apart from working relationships.

Directors' Report

The Board is pleased to present the annual report, together with the audited financial statements of the Group for the year ended 31 December 2008.

Principal Business

The Group is principally engaged in the cement equipment and engineering services, glass fiber, cement and high-tech materials business. Details of the business of the Company's principal subsidiaries are set out in note 51 to the financial statements.

Results

The results of the Group for the year ended 31 December 2008 and the financial information of the Group as at 31 December 2008 are set out in the audited financial statements of this annual report.

Share Capital

As at 31 December 2008, the share capital structure of the Company is set out below:

Type of Shares	Number of Shares	Approximate Percentage to the Total Issued Share Capital
Domestic shares	2,276,522,667	63.74%
Foreign shares		
Unlisted foreign shares	130,793,218	3.66%
H shares	1,164,148,115	32.60%
Total	3,571,464,000	100%

Dividends

The Board recommends the distribution of final dividend of RMB0.02 per shares (before tax) in an aggregate amount of RMB71,429,280 for the year ended 31 December 2008.

Public Float

On the date of this report, based on the public information available to the Company and as far as the Directors are aware, the Company fulfilled the public float requirements of Rule 8.08 of the Listing Rules.

Directors' Report

Directors and Supervisors

Certain information concerning the Directors and Supervisors of the Company as at the date of this annual report is set out as below:

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and Executive Director	M	55	26 July 2007 to 25 July 2010
YU Shiliang	Executive Director and president	M	54	26 July 2007 to 27 March 2009
	Non-executive Director			27 March 2009 to 25 July 2010
LIU Zhijiang	Non-executive Director	M	51	26 July 2007 to 25 July 2010
ZHOU Yuxian	Non-executive Director	M	45	26 July 2007 to 27 March 2009
	executive Director and president			27 March 2009 to 25 July 2010
CHEN Xiaozhou	Non-executive Director	M	46	26 July 2007 to 25 July 2010
YANG Yuzhong	Independent non-executive Director	M	64	26 July 2007 to 25 July 2010
ZHANG Lailiang	Independent non-executive Director	M	61	26 July 2007 to 25 July 2010
ZHANG Qiusheng	Independent non-executive Director	M	40	26 July 2007 to 25 July 2010
LEUNG Chong Shun	Independent non-executive Director	M	43	26 July 2007 to 25 July 2010
XU Weibing	Chairman of the Supervisory Committee	F	49	26 July 2007 to 25 July 2010
WANG Baoguo	Supervisor	M	53	26 July 2007 to 25 July 2010
WANG Jijun	Supervisor	M	50	26 July 2007 to 14 April 2009
WANG Jianguo	Supervisor	M	52	26 July 2007 to 25 July 2010
ZHANG Lirong	Supervisor	F	52	26 July 2007 to 25 July 2010
WANG Wei	Supervisor	M	52	26 July 2007 to 25 July 2010
YU Xingmin	Supervisor	M	53	26 July 2007 to 25 July 2010

The term of office of all Directors is 3 years, until and unless any party gives a notice of termination of not less than one month to the other party.

The biography of the Company's Directors and Supervisors is set out in the section of "Biography of Directors, Supervisors and Senior Management". Upon the approval by the Board on 27 March 2009, Mr. Zhou Yuxian will act as the president and executive Director but resign from the non-executive Director of the Company, while Mr. Yu Shiliang will act as the non-executive Director but resign from the president and executive Director of the Company. For details, please refer to the announcement of the Company dated 27 March 2009 on the website of the Hong Kong Stock Exchange.

Disclosure of Interests

Directors', Supervisors' and Chief Executives' interests in the Company's Shares, Underlying Shares and Debenture and Short Positions in Shares

As at 31 December 2008, no Director, Supervisor 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 corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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 maintained under such provisions or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), to be notified to the Company and the Hong Kong Stock Exchange.

Directors', Supervisors' and Chief Executives' Rights in the Subscription of Shares and Debentures

During the reporting period, no right to subscribe the shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouse or children aged under 18, and any such rights to subscribe the above shares or debentures were not exercised by them.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2008, so far as the Directors, the president and Supervisors of the Company are aware, according to the register of interests and/or short positions in shares required to be maintained pursuant to Section 336 of Part XV of the SFO, the persons in the following table had an interest and/or short position in the shares or underlying shares of the Company:

Name	Type of Shares	Nature of interests	Number of Shares interested	Percentage to the respective class of issued shares	Percentage to the total share capital
China National Materials Group Corporation	Domestic shares	Long position	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Corporation	Domestic shares	Long position	319,788,108	14.05%	8.96%
Taian State-owned Assets Management Co., Ltd.	Domestic shares	Long position	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	Long position	130,793,218	100.00%	3.66%
The National Council for Social Security Fund	H shares	Long position	80,594,897	7.96%	2.26%
Baring Asset Management Limited	H shares	Long position	69,869,000	6.00%	1.96%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	Long position	61,067,000	5.24%	1.71%

Note: The information disclosed is based on information provided in the website (www.hkex.com.hk) of the Hong Kong Stock Exchange.

Save as disclosed above, so far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2008, there was no other person with interests and/or short positions in the shares and underlying shares of the Company which would be recorded in the register of the Company required to be kept under section 336 of Part XV of the SFO.

Directors' Report

Major Customers and Suppliers

The consolidated turnover from the five largest customers of the Group accounted for less than 30% of the Group's total turnover in 2008.

The consolidated total purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in 2008.

Purchase, Sale or Redemption of the Company's Shares

For the year ended 31 December 2008, the Company and any of its subsidiaries did not purchase, sale or redeem any of the Company's shares.

Property, Plant and Equipment

For the year ended 31 December 2008, the additions of property, plant and equipment of the Group amounted to RMB4,847.89 million. Details of these movements are set out in note 10 to the financial statements.

Reserve

Details of the movement of the Group's reserve during the year are set out in the "Consolidated Statement of Changes in Equity" of this report.

Employees

As at 31 December 2008, the number of employees of the Group was 34,997.

Remuneration Policy

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating remuneration policy and determining and administrating the emoluments of the executive Directors and chief executive of the Company. The Remuneration Committee under the Board is responsible for formulating the remuneration policy and remuneration package for the executive Directors and senior management of the Company in accordance with its written terms of reference. The remuneration of the executive Directors of the Company was determined and realized according to the directors' service contracts as approved at the general meeting and the operating results of the Company. The remuneration of non-executive Directors, independent non-executive Directors and Supervisors of the Company was determined and realized according to the service contracts of the non-executive Directors, independent non-executive Directors and Supervisors as approved at the general meeting. During the reporting period, the Remuneration Committee of the first session of the Board formulated the "Regulation for Remuneration Management of China National Materials Company Limited", and passed such remuneration regulation at the ninth meeting of the first session of Board. It was confirmed in the regulation that executive Directors and senior management of the Company adopt annual remuneration. Their annual remuneration package included basic salary and performance-linked bonus. Basic salary was paid on a monthly basis and bonus was determined by the Remuneration Committee after assessment.

Position-based salary system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the duties assumed in the positions and other factors. Various salary models such as piece rate and skill-based wage model were adopted for other employees based on the categories to which they belong and their job nature.

The Company stringently controlled the overall salary management of its controlling companies and wholly-owned subsidiaries in accordance with the applicable policy requirements of the PRC government. It sought to maintain an appropriate balance between salary increase and the growth in economic benifits, in order to achieve a win-win situation among shareholders, employers and employees and facilitate the harmonious development of the enterprise.

As required by the state and local labour and social welfare laws and regulations, the Company contributed to certain housing reserve and social insurance premiums for its employees on a monthly basis. Insurance premiums are paid for retirement insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance. In Beijing, as required by the prevailing and applicable local rules, the Company's contributions to retirement insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing fund shall account for 20%, 10%, 1.5%, 0.4%, 0.8% and 12% of the total basic monthly salary of the employee.

Retirement Plan of the Staff

Details are set out in note 32 to the financial statements.

Share Appreciation Rights Plan

To motivate and award the senior management team and other key staff of the Company, the Company has made the share appreciation rights plan, which has been approved and passed in the ninth meeting of the first session of the Board on 22 April 2008. Pursuant to the requirement of the PRC government and the relevant PRC regulations, share appreciation rights plan shall be considered and approved by the relevant administration department of the PRC government before submission to the shareholders' general meeting for approval. Currently the share appreciation rights plan of the Company is still in the prosess of reviewing by the PRC government.

Directors' and Supervisors' Remunerations

Details of the remunerations of the Directors and Supervisors of the Company are set out in note 45 to the financial statements.

During the reporting period, no Director or Supervisor of the Company gave up any remuneration arrangement of the Company.

Service Contracts with Directors and Supervisors

The Company has entered into service contracts of a term of 3 years with all the Directors and Supervisors. No Director or Supervisor has entered into or intends to enter into a service contract with the members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Supervisors' Interests in Contract

No Director and Supervisor of the Company had a material interest, either directly or indirectly, in any contract relating to the business of the Group, to which the Company or any of its subsidiaries was a party, and was subsisting on the balance sheet date of the year or at any time during the year.

Management Contract

During the reporting period, the Company has not signed or held any contracts concerning the management of the general business or any major business segments of the Company.

Connected Transactions

I. Connected Transactions in relation to Reorganization

(I) Non-competition Agreement

The Company entered into a non-competition agreement with the Parent on 23 November 2007. Pursuant to which, the Parent has agreed not to, and to procure its subsidiaries (other than the Group) not to, compete with the core businesses of our Group and granted the Group options and pre-emptive rights to acquire retained business and certain future business from the Parent.

For the year ended 31 December 2008, save as those matters disclosed in the prospectus of the Company, no Directors of the Company, including independent non-executive Directors, has made any decision to exercise the options.

Directors' Report

(II) Reorganization Agreement

The Company entered into a reorganization agreement with the Parent and other promoters on 1 August 2007. Pursuant to the reorganization agreement, the reorganization took effect from 31 July 2007 and each of the promoters who have entered into the reorganization agreement agreed to indemnify the Company against, among other things:

1) all claims incurred in connection with or arising from the breach of any provisions of the reorganization agreement on the part of the promoters;

2) all claims incurred in connection with or arising from the assets and liabilities retained by or transferred to the promoters in accordance with the reorganization agreement;

3) all claims incurred in connection with or arising from the assets and liabilities which have been transferred to us pursuant to the reorganization agreement arising on or before 31 July 2007, the effective date of the reorganization; and

4) all taxes payable in respect of the assets which have been transferred to us pursuant to the reorganization agreement arising on or before 31 July 2007, the effective date of the reorganization.

II. Non-exempted Connected Transactions

Major connected transactions of the Group during 2008 are as follows:

(I) Acquisition of Akesu Duolang's 37.71% equity interest in Tianshan Duolang by Tianshan Cement

On 31 January 2008, Tianshan Cement, a subsidiary of the Company, entered into an equity transfer agreement with, Akesu Duolang Investment Limited Liability Company ("**Akesu Duolang**"), pursuant to which, Tianshan Cement agreed to acquire Akesu Duolang's 37.71% equity interest in Akesu Tianshan Duolang Cement Limited Liability Company ("**Tianshan Duolang**"). Upon completion of the equity transfer, Tianshan Cement's equity interest in Tianshan Duolang shall be increased to 100%. The consideration for the equity transfer was in the amount of RMB99 million.

Details of the transaction are set out in the announcement of the Company dated 31 January 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Akesu Duolang is a substaintial shareholder of Tianshan Cement, a subsidiary of the Company, and therefore is a connected person of the Company.

(II) Acquisition of China Nonmentallic's entire equity interest in Xi'an Engineering by the Company

On 10 October 2008, the Company entered into an equity transfer agreement with China National Nonmetallic Minerals Industrial Corporation ("**China Nonmentallic**"), pursuant to which the Company agreed to acquire the entire equity interest in Xi'an Engineering from China Nonmentallic for a consideration in the amount of RMB33,983,928.57. The consideration was settled by the Company with its internal resources.

Details of the transaction are set out in the announcement of the Company dated 10 October 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, China Nonmentallic is a wholly-owned subsidiary of the Parent, and therefore is a connected person of the Company.

(III) Acquisition of Tianjin Zhongtian's certain equity interests in 14 target companies by Sinoma International

On 10 October 2008, Sinoma International, a subsidiary of the Company, entered into an equity purchase agreement with Tianjin Zhongtian, pursuant to which, Sinoma International agreed to purchase and Tianjin Zhongtian agreed to sell certain equity interest in 14 subsidiaries of Sinoma International.

The aggregate consideration for the acquisition of the equity interest was RMB1,946,300,000, which shall be satisfied through the issue and allotment of the consideration shares by Sinoma International at an issue price of RMB46.37 per consideration shares to Tianjin Zhongtian at completion. The consideration was determined by Sinoma International and Tianjin Zhongtian after arm's length negotiations by taking into account the appraised value of the acquired equity interest as at the valuation date.

In addition, Sinoma International entered into an compensation agreement with Tianjin Zhongtian on the same date, pursuant to which, (1) Sinoma International and Tianjin Zhongtian have, through negotiations, agreed that the net profit attributable to the equity interest 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 interest for any of the three years ending 31 December 2009, 2010 and 2011 is less than (as relevant) the respective amounts stated in (1) above, or that there is an audited net loss attributable to the equity interest, 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. The transaction was approved by the independent shareholders of the Company on 16 December 2008. Upon completion of the issue of shares on 8 April 2009, Sinoma International is owned as to 42.46% by the Company and will continue to be a subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 10 October 2008 and the circular of the Company dated 31 October 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Tianjin Zhongtian is a substantial shareholder of 14 subsidiaries of Sinoma International, a subsidiary of the Company, and therefore is a connected person of the Company.

(IV) Acquisition of Gongying's 30.4% shareholders' interests in NBM by the Company and capital contribution to NBM by the Company

On 10 October 2008, the Company entered into an acquisition agreement with Ningxia Gongying Investment Limited Company ("**Gongying**") for the acquisition of approximately 30.4% equity interest in NBM. The consideration RMB440,102,600, was paid in cash within 10 business working days from the effective date of the acquisition agreement.

On 10 October 2008, the Company entered into an capital increase agreement with the Parent and Gongying, pursuant to which the Company increased the registered capital of NBM to RMB781,711,300 by making a capital contribution of RMB570,000,000 to NBM in order to obtain an absolute control over NBM. The capital contribution was paid in cash by the Company within 10 business working days following the effective date of the capital increase agreement.

Upon completion of the acquisition agreement and the capital increase agreement, NBM will be owned as to approximately 50.06% by the Company and approximately 49.94% by the Parent. The transactions were approved by the independent shareholders of the Company on 9 December 2008.

Details of the transactions are set out in the announcement of the Company dated 10 October 2008 and the circular of the Company dated 24 October 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, as at the date of announcement of the transaction, NBM is a subsidiary of the Parent and therefore is a connected person of the Company. NBM has become a subsidiary of the Company since 31 December 2008.

Directors' Report

(V) The Saima EPC Contract between Sinoma Suzhou and Saima Industry

On 18 November 2008, Sinoma (Suzhou) Construction Co., Ltd ("**Sinoma Suzhou**"), an indirect subsidiary of the Company, entered into the Saima EPC contract with Ningxia Saima Industry Co., Ltd. ("**Saima Industry**"), an indirect subsidiary of the Parent, pursuant to which Saima Industry has agreed to engage Sinoma Suzhou as the contractor to provide design, construction management, procurement, installation, performance testing and acceptance services in respect of the construction of a cement powder grind station with an annual production capacity of approximately 1,000,000 tonnes, for a sum of RMB50,000,000, with an expected contract period of 7 months.

The payment terms are as follows: The payment in the amount of 10% of the total contract value shall be made as advanced payment by Saima Industry to Sinoma Suzhou when Saima Industry receives a performance bond issued by the bank which is designated by Saima Industry in relation to the Saima EPC contract. The payment in the amount of 85% of the total contract value shall be made within a week following the successful trial operation of the production line. The remaining payment shall be made within a year after the project is put into production.

Details of the transaction are set out in the announcement of the Company dated 18 November 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, as at the date of announcement of the transaction, Saima Industry is an indirect subsidiary of the Parent and therefore is a connected person of the Company. Saima Industry has become an indirect subsidiary of the Company since 31 December 2008.

(VI) The Qingtongxia EPC Contract between Sinoma Suzhou and Qingtongxia Co.

On 18 November 2008, Sinoma Suzhou, an indirect subsidiary of the Company, entered into the Qingtongxia EPC contract with Ningxia Qingtongxia Cement Co. Ltd. ("**Qingtongxia Co**."), an indirect subsidiary of the Parent, pursuant to which Qingtongxia Co. has agreed to engage Sinoma Suzhou as the contractor to provide design, construction management, procurement, installation, performance testing and acceptance services in respect of the reconstruction of a New Dry Process cement production line with a daily capacity of approximately 2,500 tonnes, for a sum of RMB198,000,000, with an expected contract period of 360 days.

The payment terms are as follows: the payment in the amount of 10% of the total contract value shall be made as advanced payment by Qingtongxia Co. to Sinoma Suzhou when Qingtongxia Co. receives a performance bond issued by the bank which is designated by Qingtongxia Co. in relation to the Qingtongxia EPC contract. The payment in the amount of 85% of the total contract value shall be made within a week following the successful trial operation of the production line. The remaining payment shall be made within a year following the project is put into production.

Details of the transaction are set out in the announcement of the Company dated 18 November 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, as at the date of announcement of the transaction, Qingtongxia Co. is an indirect subsidiary of the Parent and therefore is a connected person of the Company. Qingtongxia Co. has become an indirect subsidiary of the Company since 31 December 2008.

(VII) Increase in registered capital of Midong Tianshan by Tianshan Cement and acquisition of an equity interest in Midong Tianshan by Tianshan Cement

On 24 November 2008, Tianshan Cement, a non-wholly-owned subsidiary of the Company, entered into the registered capital increase agreement with the existing shareholders of Xinjiang Midong Tianshan Cement Co., Ltd. ("**Midong Tianshan**"), namely Xinjiang Huatai Chemistry Co., Ltd. ("**Xinjiang Huatai**") and Xinjiang Tunhe Cement Co., Ltd. ("**Tunhe Cement**"), pursuant to which, the parties agreed to increase the registered capital of Midong Tianshan by RMB141,364,939.40. Such increased registered capital had to be contributed by Tianshan Cement by way of cash injection in the amount of RMB131,040,000 (each share is valued at RMB1.008) within one month following the execution of the registered capital increase agreement, every RMB1.00 in the registered capital of Midong Tianshan was valued at RMB1.008. The cash so injected shall from RMB130,000,000 in the registered capital of Midong Tianshan and the remaining is the share premium. Tianshan Cement acquired approximately 64.56% equity interest in Midong Tishan as a result of such cash injection.

Xinjiang Huatai injected its land use right in respect of the relevant land (which was valued at RMB11,455,858.92) into Midong Tianshan within one month after entering into the Registered Capital Increase Agreement, and the land use right so injected constituted RMB11,364,939.40 in the registered capital of Midong Tianshan and the remaining is the share premium.

The capital injections by Tianshan Cement and Xinjiang Huatai will result in a dilution of the equity interest in Midong Tianshan currently held by Tunhe Cement and Xinjiang Huatai respectively. Upon completion of the transaction contemplated under the Registered Capital Increase Agreement, the equity interest held by Tianshan Cement, Tunhe Cement and Xinjiang Huatai in the enlarged registered capital of Midong Tianshan was approximately 64.56%, 19.37% and 16.07% respectively. As a result, the Company, through Tianshan Cement and Tunhe Cement, increased its equity interest in Midong Tianshan from 65% to 83.93%, and therefore, Midong Tianshan remained a non-wholly-owned subsidiary of the Company. The transaction was approved by the independent shareholders of the Company on 11 February 2009.

Details of the transaction are set out in the announcement of the Company dated 24 November 2008 and the circular of the Company dated 15 December 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Xinjiang Huatai is a substantial shareholder of Midong Tianshan, a non-wholly-owned subsidiary of the Company, and therefore is a connected person of the Company.

(VIII) Acquisition of certain assets of Zhengda Cement by Sinoma Pingxiang

On 2 December 2008, Sinoma Pingxiang Cement Co., Ltd. ("**Sinoma Pingxiang**"), an indirect subsidiary of the Company, entered into an asset acquisition agreement with Zhengda Cement, pursuant to which the parties have agreed that Sinoma Pingxiang shall acquire certains assets ("**Assets**") from Zhengda Cement.

The consideration for the acquisition of the Assets from Zhengda Cement by Sinoma Pingxiang in the amount of RMB141,497,900 shall be satisfied by cash in two instalments.

Details of the transaction are set out in the announcement of the Company dated 2 December 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Zhengda Cement is a substantial shareholder of Sinoma Pingxiang, an indirect subsidiary of the Company, and therefore is a connected person of the Company.

III Non-exempted Continuing Connected Transactions

The Group has entered into certain Non-exempted continuing connected transactions. The table below has set out the annual cap of transaction amount and the actual transaction amount of such transactions:

Connected Transactions		Expenditure Actual amount (RMB million)	Expenditure Cap (RMB million)	Revenue Actual amount (RMB million)	Revenue Cap (RMB million)
Leasing of property	(I)	16.716	18.085	—	—
Mutual supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Group and the Parent Group	(II)	19.896	60.0	12.248	110.0
Provision of Cement Equipment and Engineering Services Agreements between the Group and CBMC and CNBMEC	(III)	—	—	158.855	180.0
Mutual Supply of Raw Materials, Products and Services Agreement between the Group and Hengda Hongkong Group	(IV)	61.926	86.010	36.926	68.000
Mutual Comprehensive Services Agreement between the Company and Parent Group	(V)	30.620	65.0	17.286	30.0
Mutual Supply of Raw Materials and Products Agreement between the Company and Tianshan Group	(VI)	30.414	50.0	20.781	40.0
Mutual Supply of Products and Services Agreement between CTG and Shandong Taishan Composite Materials	(VII)	41.407	75.0	15.432	50.0
Surplus Energy Electricity Generation Master Sub-contract between TCDRI, and Sinoma Energy Conservation	(VIII)	131.200	230.0	—	—
Agreements for the BOT Project, the CDM Project and the SEEG Sub-contract Project between the Company and Sinoma Energy Conservation	(IX)	0.0	126.0	—	—
Supply Framework Agreement between Jiangxi Sinoma and LDK	(X)	—	—	37.535	150.0
Liulihe Cooperation Framework Agreement between Sinoma International and Beijing Liulihe regarding the performance test, production and maintenance services in relation to foreign cement production lines	(XI)	25.587	50.0	—	—
Tongda Cooperation agreement between Sinoma International and Beijing Tongda regarding the procurement of refractories and related installation and technical services	(XII)	27.669	123.0	—	—

(I) Leasing of property

Certain subsidiaries of the Group have entered into several property and building leasing agreements with certain subsidiaries of the Parent before the Listing pursuant to which several subsidiaries of the Parent have agreed to provide property and building leasing services to certain subsidiaries of the Group. The terms of such agreements were 5 years, 10 years, 20 years and 40 years respectively.

The terms of such agreements have reflected the current status of the PRC, and the rents payable are fair and reasonable in whole and reflect the prevailing market rate.

Under the Listing Rules, the counterparties of the above were subsidiaries of the Parent and were connected persons of the Company.

For the year ended 31 December 2008, the annual cap on the aggregate rents payable by the Group to certain subsidiaries of the Parent for 2008 under the above-mentioned property and building lease agreements was approximately RMB18,085,000 and the actual rental expenditure incurred was approximately RMB16,716,000 in aggregate.

(II) Mutual supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Parent Group and the Group

On 23 November 2007, the Group entered into the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent Group, whereby the Group has agreed to provide to the Parent Group cement production equipment, parts and concrete production equipment parts, and the Parent Group has agreed to provide to the Group cement production equipment parts.

Under the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent Group, the price shall be determined in accordance with the following pricing principles: 1) state-prescribed price; 2) where there is no state-prescribed price, then according to relevant state-recommended price; 3) where there is no state-recommended price, then according to relevant market price; 4) where there is no relevant market price, then according to the contracted price.

The mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent Group is for a term commencing from 31 July 2007 and ending on 31 December 2009. Upon expiry of the term, the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent Group will, subject to the requirements of the Hong Kong Stock Exchange, be automatically renewed for further periods of three years.

On 19 November 2008, the Company revised the annual caps for the year ended 31 December 2008 and the year ending 31 December 2009 under the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement. Details of the transaction are set out in the announcement of the Company dated 19 November 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, the Parent Group is a controlling shareholder and associate of the Company, and therefore is a connected person of the Company.

During the reporting period, a) the annual cap on revenue from the Group's provision of cement production equipments, parts and concrete production equipment parts to the Parent Group was approximately RMB110,000,000 for 2008 and the actual revenue was approximately RMB12,248,000; b) the annual cap on expenditure from the provision of cement production equipment, parts and the maintenance, repair and installation services provided to the Group by the Parent Group was approximately RMB60,000,000 for 2008 and the actual expenditure was approximately RMB19,896,000.

(III) Provision of Cement Equipment and Engineering Services Agreements between the Group and CBMC and CNBMEC

The Group entered into the provision of cement equipment and engineering services agreements with China Building-Materials Industrial Corporation for Foreign Econo - Technical Cooperation ("**CBMC**", a wholly owned subsidiary of Parent) and China National Building Material Equipment Corporation ("**CNBMEC**" , a wholly owned subsidiary of Parent) on 25 February 2005, 15 November 2005 and 6 July 2006 respectively, pursuant to which the Group agreed to provide certain cement equipment and engineering services to CBMC and CNBMEC respectively.

The price was determined in accordance with the following principles: The Group entered into the provision of cement equipment and engineering services agreements with CBMC and CNBMEC respectively following the Group's successful bidding for these agreements in the relevant public tender processes. Accordingly, the prices of these agreements have been decided by the Group and accepted by CBMC and CNBMEC respectively, based on the Group's anticipated costs of the relevant projects plus reasonable profit margins according to the Group's internal policy.

There are currently four projects under the agreements, among which CBMC has a total of two cement equipment and engineering services projects with the contracted amount of 382,228,664 Rupiah and US$53.6 million respectively, which were completed in April and June 2008 respectively.

In addition, CNBMEC has a total of two cement equipment and engineering services projects. One of the projects with a contracted amount of US$58.7 million was completed in June 2008. The other project with a contracted amount of approximately US$145 million is expected to be completed by the end of 2009.

On 19 November 2008, the Company revised the annual caps for the year ended 31 December 2008 and the year ending 31 December 2009 under the provision of cement equipment and engineering services agreements. Details of the transactions are set out in the announcement of the Company dated 19 November 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, CBMC and CNBMEC are both wholly-owned subsidiaries of the Parent, and therefore are connected persons of the Company.

During the reporting period, the annual cap on revenue from the provision of cement equipment and engineering services to CBMC and CNBMEC by the Group was approximately RMB180 million for 2008 and the actual revenue was approximately RMB158,855,000.

(IV) Mutual Supply of Raw Materials, Products and Services Agreement between the Group and Hengda Hongkong Group

The Group entered into the mutual supply of raw materials, products and services agreement with Hengda Hongkong Group on 23 November 2007, pursuant to which:

(1) Hengda Hongkong Group agreed to provide the Group with raw materials and services including but not limited to:

- clay and volcanic ash;
- cement processing services;
- transportation services;
- supply of electricity and water;
- other related and ancillary services

(2) the Group agreed to provide to Hengda Hongkong Group with clinker.

Under a mutual supply of raw materials, products and services agreement with Hengda Hongkong Group, the price shall be determined in accordance with the following pricing principles: (1) state-prescribed price; (2) where there is no state-prescribed price, then according to relevant state-recommended price; (3) where there is no state-recommended price, then according to relevant market price; (4) where there is no relevant market price, then according to the contracted price.

The mutual supply of raw materials, products and services agreement with Hengda Hongkong Group is for a term commencing from 31 July 2007 and ending on 31 December 2009. Upon expiry of the term, the mutual supply of raw materials, products and services agreement with Hengda Hongkong Group will, subject to the requirements of the Hong Kong Stock Exchange, be automatically renewed for further periods of three years.

Under the Listing Rules, Hengda Hongkong Group is an associate of Hengda Hong Kong International Investment Company, which is a substantial shareholder of Sinoma Hengda Cement Co., Ltd (a subsidiary of the Company), and therefore is a connected person of the Company.

During the reporting period, a) the annual cap on revenue from the provision of clinker to Hengda Hongkong Group by the Group was approximately RMB68 million for 2008 and the actual revenue was approximately RMB36,926,000; b) the expenditure from the provision of raw materials and services as set out in (1) by Hengda Hongkong Group to the Group was approximately RMB86.01 million for 2008 and the actual expenditure was approximately RMB61,926,000.

(V) Mutual Comprehensive Services Agreement between the Company and Parent Group

The Company entered into a mutual comprehensive services agreement with the Parent Group on 23 November 2007, pursuant to which:

(1) the Parent Group agreed to provide to the Group:

- supply of electricity, water and heating;
- property management and maintenance services;
- equipment maintenance and repair;
- site preparation, exploration and exploitation services;
- equipment leasing services (precious metal such as platinum, which has a very high carrying value);
- design, consultancy and technology services;
- transportation services; and
- other related and ancillary services;

(2) the Group agreed to provide Parent Group:

- supply of electricity, water and heating;
- property management and maintenance services;
- design services;
- equipment maintenance and repair; and
- other related and ancillary services;

Under the mutual comprehensive services agreement with Parent Group, the price shall be determined in accordance with the following pricing principles: 1) state-prescribed price; 2) where there is no state-prescribed price, then according to relevant state-recommended price; 3) where there is no state-recommended price, then according to relevant market price; 4) where there is no relevant market price, then according to the contracted price.

The Mutual Comprehensive Services Agreement with Parent Group is for a term commencing from 31 July 2007 and ending on 31 December 2009. Upon expiry of the term, the mutual comprehensive services agreement with Parent Group will, subject to the requirements of the Stock Exchange, be automatically renewed for further periods of three years.

On 14 April 2008, the Company revised the annual caps for the year ended 31 December 2008 and the year ending 31 December 2009 under the Mutual Comprehensive Services Agreement. Details of the transaction are set out in the announcement of the Company dated 14 April 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, the Parent Group is a controlling shareholder and associate of the Company, and therefore is a connected person of the Company.

During the reporting period, a) the annual cap for 2008 with respect to the revenue generated from the Group's provision to the Parent Group of comprehensive services stated above in (2) was approximately RMB30 million, while the actual revenue generated amounted to approximately RMB17,286,000; b) the annual cap for 2008 with respect to the expenses incurred for the Parent Group's provision to the Group of the comprehensive services stated above in 1) was approximately RMB65 million, while the actual expenditure incurred was approximately RMB30,620,000.

(VI) Mutual Supply of Raw Materials and Products Agreement between the Company and Tianshan Group

The Company entered into a mutual supply of raw materials and products agreement with Tianshan Group on 23 November 2007, pursuant to which:

(1) the Company agreed to provide cement to Tianshan Group and/or its subsidiaries and/or associates; and

(2) Tianshan Group agreed to and shall procure its subsidiaries and/or associates to provide raw materials for cement production and products such as ceramics products and pipes to the Group.

The mutual supply of raw materials and products agreement is for a term commencing from 31 July 2007 and ending on 31 December 2009. Upon expiry of the term, the mutual supply of raw materials and products agreement with Tianshan Group will, subject to the requirements of the Hong Kong Stock Exchange, be automatically renewed for further periods of three years.

Under the Mutual Supply of Raw Materials and Products Agreement, the price shall be determined in accordance with the following pricing principles: (a)state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no relevant market price, then according to the contracted price.

On 14 April 2008, the Company revised the annual caps for the year ended 31 December 2008 and the year ending 31 December 2009 under the Mutual Supply of Raw Materials and Products Agreement. Details of the transaction are set out in the announcement of the Company dated 14 April 2008 on the website of the Hong Kong Stock Exchange.

Pursuant to the Listing Rules, Tianshan Group is a promoter of the Company, and therefore is a connected person of the Company.

During the reporting period, a) the annual cap for 2008 on revenue from the provision of cement to Tianshan Group by the Group was approximately RMB40 million, while the actual revenue generated was approximately RMB20,781,000; b) the annual cap for 2008 on expenditure incurred for the provision of products stated at (2) by Tianshan Group to the Group was approximately RMB50 million, while the actual expenditure incurred was approximately RMB30,414,000.

(VII) Mutual Supply of Products and Services Agreement between CTG and Shandong Taishan Composite Materials

On 14 April 2008, CTG, a subsidiary of the Company, entered into a mutual supply of products and services agreement with Taishan Composite Materials, pursuant to which:

(1) CTG agreed to supply and sell electricity, water and gas to Taishan Composite Materials; and

(2) Taishan Composite Materials agreed to supply and sell blended yarns, beeline yarns, yarns for fabricating felt and dampened yarns products to CTG.

The mutual supply of products and services agreement was effective from 31 July 2007 and shall be expired on 31 December 2009. Upon expiry of the term, the Mutual Supply of Products and Services Agreement will, subject to the requirements of the Hong Kong Stock Exchange, be automatically renewed for further periods of three years.

Under the mutual supply of products and services agreement, the price shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no relevant market price, then according to the contracted price.

Details of the transactions are set out in the announcement of the Company dated 14 April 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, prior to 31 March 2008, Taishan Composite Materials was a substantial shareholder of Taian Huatai Non-Metal Fine Dust Co., Ltd., a subsidiary of the Company, and therefore is a connected person of the Company. Since 31 March 2008 when CTG, a subsidiary of the Company, has completed the acquisition of 100% equity interests of Taishan Composite Materials has become a wholly-owned subsidiary of the Company, and therefore ceased to be a connected person of the Company.

During the reporting period, a) the annual cap for 2008 on revenue generated from CTG's provision of electricity, water and gas to Taishan Composite Materials was approximately RMB50 million, while the actual revenue generated was approximately RMB15,432,000; b) the annual cap for 2008 on the actual expenditure incurred for the products stated above at (2) provided by Taishan Composite Materials to CTG was approximately RMB75 million, while the actual expenditure incurred was approximately RMB41,407,000.

(VIII) Surplus Energy Electricity Generation Master Sub-contract between TCDRI, and Sinoma Energy Conservation

On 14 April 2008, TCDRI , a subsidiary of the Company, entered into a surplus energy electricity generation master sub-contract with Sinoma Energy Conservation Ltd. ("**Sinoma Energy Conservation**", a subsidiary of Parent), pursuant to which TCDRI agreed to sub-contract surplus energy electricity generation project business to Sinoma Energy Conservation.

The surplus energy electricity generation master sub-contract was effective from 31 July 2007 and ended on 31 December 2008.

Under the surplus energy electricity generation master sub-contract, the price shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no relevant market price, then according to the contracted price.

Details of the transaction are set out in the announcement of the Company dated 14 April 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Sinoma Energy Conservation is a subsidiary of the Parent, and therefore is a connected person of the Company.

During the reporting period, the annual cap for 2008 on the expenditure incurred for the sub-contraction of surplus energy electricity generation project to Sinoma Energy Conservation by TCDRI was approximately RMB230 million, while the actual expenditure incurred was RMB131.2 million.

(IX) Agreements for the BOT Project, the CDM Project and the SEEG Sub-contract Project between the Company and Sinoma Energy Conservation

On 5 August 2008, the Company entered into agreements for the BOT Project, the CDM Project the SEEG Sub-contract Project with Sinoma Energy Conservation. Pursuant to the agreement under the BOT Project, the Group shall purchase electricity generated under the BOT Project from Sinoma Energy Conservation. All surplus electricity generation facilities constructed by Sinoma Energy Conservation under the BOT Project shall be assigned to the Group for free after the end of the operation period, which is currently estimated to be 10 years.

Pursuant to the agreement under the CDM Project, conditional upon the entering into the implementation agreements for the BOT Project by Sinoma Energy Conservation and any members of the Group, Sinoma Energy Conservation shall undertake the CDM project for the Group. Under the CDM Project, Sinoma Energy Conservation shall, at its own costs, undertake the technology consultation and research and development of the CDM Project, the registration of such project with the CDM Executive Board, and the application for the issue of CERs by CDM Executive Board. Upon selling of CERs derived from the CDM Project by the Group, the Group shall pay Sinoma Energy Conservation a certain percentage of revenue derived thereunder at a rate to be agreed by the parties.

Pursuant to the agreement under the SEEG Sub-contract Project, the Group may sub-contract its surplus energy electricity generation business through a tender process. If the proposals tendered by Sinoma Energy Conservation are better or no less favourable than those offered by other suppliers participating the tender, the Group shall consider to sub-contract the surplus energy electricity generation businesses to Sinoma Energy Conservation, pursuant to which, Sinoma Energy Conservation shall undertake, among others, the engineering design, equipment procurement and commissioning of such project.

The agreements for the BOT Project, the CDM Project and the SEEG Sub-contract Project are for terms commencing from 5 August 2008 and ending on 31 December 2010. Upon expiry of the terms, the agreements will, subject to the applicable reporting, announcement, and independent shareholders' approval requirements under the Listing Rules, be automatically renewed for further periods of three years.

Directors' Report

Pursuant to the agreements for the BOT Project, the CDM Project and the SEEG Sub-contract Project, the prices shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no relevant market price, then according to the contracted price.

Details of the transaction are set out in the announcement of the Company dated 5 August 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Sinoma Energy Conservation is a subsidiary of the Parent and therefore is a connected person of the Company.

During the reporting period, the annual cap for the agreements regarding the BOT Project, the CDM Project and the SEEG Sub-contract Project for 2008 was approximately RMB126,000,000, while the actual expenditure incurred was Nil.

(X) Supply Framework Agreement between Jiangxi Sinoma and LDK

On 26 June 2008, Jiangxi Sinoma New Solar Materials Co., Ltd. ("**Jiangxi Sinoma**"), an indirect subsidiary of the Company, entered into a supply framework agreement with Jiangxi LDK Solar Hi-Tech Co., Ltd. ("**LDK**"), pursuant to which Jiangxi Sinoma agreed to supply solar-energy fused silica crucibles to LDK.

The supply framework agreement was effective from 26 June 2008 and ending on 31 December 2010.

Pursuant to the supply framework agreement, the price for the products shall be determined by reference to the prevailing market prices for comparable products. The manner for settlement shall be agreed between the parties by separate contract(s).

Details of the transaction are set out in the announcement of the Company dated 26 June 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, LDK is a substaintial shareholder of Jiangxi Sinoma, a subsidiary of the Company, and therefore is a connected person of the Company.

During the reporting period, the annual cap for the Supply Framework Agreement for 2008 was approximately RMB150 million, but the actual revenue was RMB37,353,000.

(XI) Liulihe Cooperation Framework Agreement between Sinoma International and Beijing Liulihe regarding the performance test, production and maintenance services in relation to foreign cement production lines

On 26 June 2008, Sinoma International, a subsidiary of the Company, entered into a technical cooperation agreement regarding the performance test, production and maintenance services in relation to the foreign cement production lines (the "**Liulihe Cooperation Framework Agreement**") with Beijing Liulihe Cement Co., Ltd. ("**Beijing Liulihe**"). Pursuant to the Liulihe Cooperation Framework Agreement, Sinoma International will sub-contract part of the performance test, production and maintenance services in relation to foreign cement production lines to Beijing Liulihe.

The Liulihe Cooperation Framework Agreement is forthcoming from 26 June 2008 and ending on 31 December 2010. Upon expiry of the term, the Liulihe Cooperation Framework Agreement will, subject to the applicable reporting, announcement, and independent shareholders' approval requirements under the Listing Rules, be automatically renewed for further periods of three years.

Pursuant to the Liulihe Cooperation Framework Agreement, the prices for the services shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no market price, then according to contracted price which may be determined by reference to previous related contracts.

Details of the transaction are set out in the announcement of the Company dated 26 June 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Beijing Liulihe is a subsidiary of BBMG, a promoter of the Company, and therefore is a connected person of the Company.

During the reporting period, the annual cap for the Liulihe Cooperation Framework Agreement for 2008 was approximately RMB50 million, while the actual expenditure was RMB25,587,000.

(XII) Tongda Cooperation Framework Agreement between Sinoma International and Beijing Tongda regarding the procurement of refractories and related installation and technical services

On 26 June 2008, Sinoma International, a subsidiary of the Company, entered into a cooperation agreement regarding the procurement of refractories and related installation and technical services (the "**Tongda Cooperation Framework Agreement**") with Beijing Tongda Refractory Technologies Co., Ltd. ("**Beijing Tongda**"). Pursuant to the Tongda Cooperation Framework Agreement, Sinoma International will procure refractories and receive the related installation and technical services from Beijing Tongda and its subsidiaries.

The Tongda Cooperation Framework Agreement is for a term coming from 28 June 2008 and ending on 31 December 2010. Upon expiry of the term, the Tongda Cooperation Framework Agreement will, subject to the applicable reporting, announcement, and independent shareholders' approval requirements under the Listing Rules, be automatically renewed for further periods of three years.

Pursuant to the cooperation agreement, the prices for the services shall be determined in accordance with the following pricing principles: (a) state-prescribed price; (b) where there is no state-prescribed price, then according to relevant state-recommended price; (c) where there is no state-recommended price, then according to relevant market price; (d) where there is no market price, then according to contracted price which may be determined by reference to previous related contracts.

Details of the transaction are set out in the announcement of the Company dated 26 June 2008 on the website of the Hong Kong Stock Exchange.

Under the Listing Rules, Beijing Tongda is a subsidiary of BBMG, a promoter of the Company, and therefore is a connected person of the Company.

During the reporting period, the annual cap for the cooperation agreement for 2008 was approximately RMB123,000,000, and the actual expenditure was RMB27,669,000.

The Directors of the Company (including the Independent Non-executive Directors) confirmed with the Board that they have reviewed the non-exempted continuing connected transactions under (1) to (12) and confirmed that such non-exempted continuing connected transactions have been (A) entered into in the ordinary and usual course of business of the Group; (B) on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (C) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditor of the Company has performed certain agreed-upon procedures on above contining connected transactions and has provided a letter to the Board to report the factual findings as follows:

The above continuing connected transactions have received the approval of the Board;

The pricing of the continuing connected transactions involving provisions of goods and services by the Group, on a sample basis, are in accordance with the pricing policies of the Company as disclosed in Note 50 to the financial statements;

The continuing connected transactions, on a sample basis, have been entered into in accordance with the terms of the agreements governing such transactions;

The continuing connected transactions as disclosed in (1) to (12) did not exceed the relevant annual caps as disclosed in the respective transaction announcements of the Company.

Directors' Report

Exemption

The Company has been granted the waiver by the Hong Kong Stock Exchange prior to the listing of the Company with respect to the above continuing connected transactions mentioned in (1) and (4) and is not required to strictly comply with the requirements of announcement and/or independent shareholders' approval under the Listing Rules for the year ended 31 December 2008.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 50 to the financial statements fall into the category of connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with the requirements under Chapter 14A of the Listing Rules with respect to the connected transaction and continuing connected transaction.

Pre-emptive Rights

There is no pre-emptive right provision under Articles of Association and the PRC laws which would oblige the Company to offer new shares to its existing shareholders on a pro rata basis.

Taxation

For the year ended 31 December 2008, foreign shareholders who are not Chinese residents are not required to pay any individual or corporate income tax, stamp duties or estate duties in the PRC with respect to the shares of the Company held. Shareholders are recommended to consult their own tax counsel with respect to the tax implications in the PRC, Hong Kong for the and otherwise for the H shares held and disposed.

Material Legal Matters

During the reporting period, the Company did not have any material legal matters.

Change of Auditors

As approved at the extraordinary general meeting convened on 16 December 2008, SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants have been newly appointed as the Hong Kong auditor and PRC auditor of the Company respectively, and are responsible for the Company's financial auditing for the financial year ended 31 December 2008. The appointment is for a term ending at the conclusion of the next annual general meeting of the Company. Therefore, PricewaterhouseCoopers Co., Ltd. has formally resigned as the Hong Kong auditor of the Company since 16 December 2008.

Report of the Supervisory Committee

During the reporting year, members of the Supervisory Committee actively performed their duties in accordance with the relevant laws and regulations and the requirements of the Articles of Association. The members effectively supervised the compliance of the convening and decision-making processes of the Board meetings and the implementation procedures with the relevant laws and regulations and the requirements of the Articles of Association, so as to protect the interests of the shareholders and the long-term interests of the Company.

During the reporting period, the Supervisory Committee has convened two meetings. At the third meeting of the first session of the Supervisory Committee commenced on 22 April 2008, the Company's annual report, the audited financial report, the annual profit appropriation proposal and the report of the Supervisory Committee for 2007 were considered and approved. At the fourth meeting of the first session of the Supervisory Committee commenced on 2 September 2008, the 2008 interim report of the Company was considered and approved. Supervisor Zhang Lirong authorized Xu Weibing, Chairman of the Supervisory Committee, to attend the third meeting held by the first session of the Supervisory Committee and exercise the voting rights on her behalf. Supervisor Wang Baoguo authorized Supervisor Wang Wei, and Supervisors Wang Jijun and Zhang Lirong authorized Xu Weibing, Chairman of the Supervisory Committee, to attend the fourth meeting of the first session of the Supervisory Committee and exercise the voting rights on their behalf. The other Supervisors all attended these two meetings of the Supervisory Committee. During the reporting period, members of the Supervisory Committee attended all the general meetings of the Company convened during the year and attended all the Board meetings as non-voting participants during the year. The members also reviewed the resolutions which have been submitted to the Board of Directors for consideration. The supervisors supervised the Company's major decision-making processes and the performance of duties by the members of the Board of Directors and the senior management by attending such meetings as non-voting participants.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company are committed and diligent in performing their duties, have duly implemented the resolutions of the general meetings, have stricted to the lawful operations and cautious decision-making, and has contributed greatly to the excellent operating results of the Company.

During the reporting period, the Supervisory Committee regularly reviewed the relevant financial information of the Company and its subsidiaries, the auditor's report of the Company and its subsidiaries and confirmed that the accounts and audit work of the Company and its subsidiaries were in compliance with the requirements of Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the PRC and the Hong Kong Financial Reporting Standards and it was not aware of any incompliance.

The Supervisory Committee has duly reviewed the financial statements for 2008 to be submitted by the Board to the general meeting and the auditor's report thereon with unqualified opinion. It considered that the report accurately, truly and fairly presented the financial position and the results of operations of the Company on a consistent basis.

The Supervisory Committee confirmed that the connected transactions between the Company and the controlling shareholder of the Company conducted during the reporting period were fair and in the interests of the other shareholders and the Company. The Directors, President and the other senior management have strictly complied with the principle of diligence, exercised powers delegated by the shareholders diligently and performed all responsibilities, and no abuse of authority and actions that jeopardized the legal rights of the shareholders and staff of the Company has been identified.

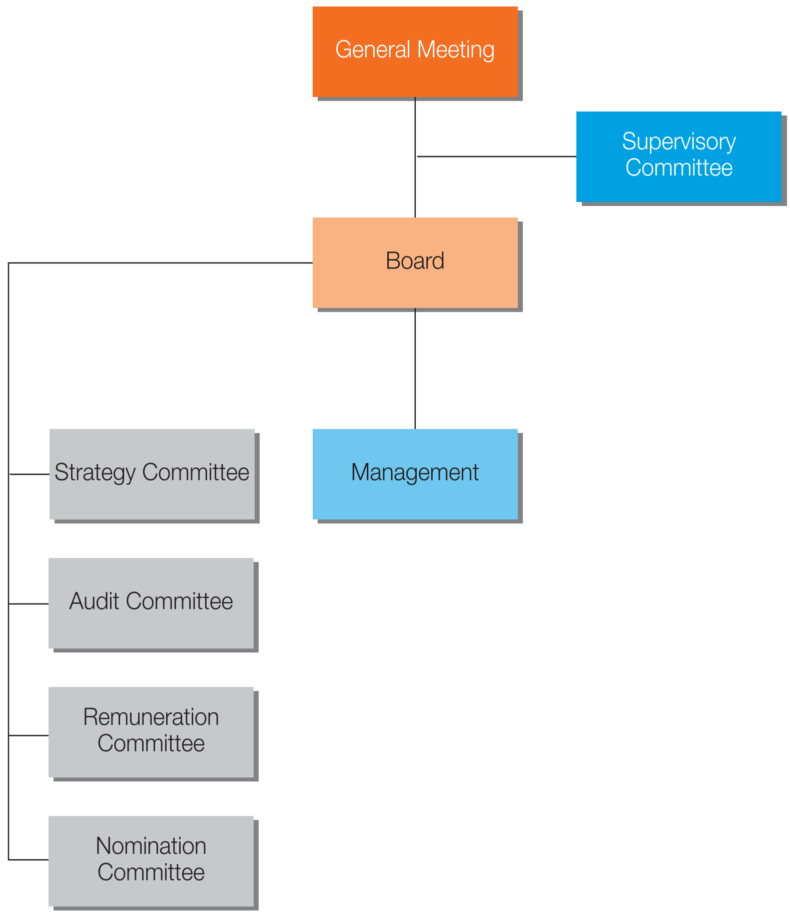
The Supervisory Committee is confident with the development prospects of the Company. In 2009, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association of the Company and relevant requirements.

Corporate Governance Report

Corporate Governance

During the reporting period, the Company established a standard and ideal corporate governance structure in strict compliance with laws and regulations such as the Company Law and the Securities Law and other laws and regulations together with the requirements of domestic and foreign regulatory bodies. The Company is committed to maintaining its corporate governance at a high standard to enhance the shareholders' value in the long run.

Corporate Governance Structure



Documents of Corporate Governance

Currently, the Code on Corporate Governance Practices of the Company includes but are not limited to the following:

1. Articles of Association
2. Rules of Procedures for General Meetings
3. Rules of Procedures for Board of Directors
4. Rules of Procedures for the Supervisory Committee
5. Rules of Procedures for the Strategy Committee
6. Rules of Procedures for the Audit Committee
7. Rules of Procedures for the Remuneration Committee
8. Rules of Procedures for the Nomination Committee
9. Working System for Independent Directors
10. Management System for Information Disclosure
11. Management System for Connected Transactions
12. Management System for Investor Relations
13. Rules of Internal Audit
14. Management System for Finance

During the reporting period, the Company made two amendments to the Articles of Association, details of which are set out below:

1. At the annual general meeting held on 20 June 2008, the amendments to the Articles of Association were considered and approved are set out below:

   (1) to increase the power of the Board to make any single external investment of amount from "not more than 10%" to "not more than 20%" of the Company's latest audited net asset value under Article 100(1);

   (2) to increase the power of the Board to enter into any non-business operating contracts, transactions and arrangements of amount from "not more than 10%" to "not more than 20%" of the Company's latest audited net asset value under Article 100(4);

   (3) to increase the power of the president of the Company to enter into any single external investment of amount from "not more than 5%" to "not more than 10%" of the Company's latest audited net asset value under Article 115(1);

   (4) to increase the power of the president of the Company to enter into any non-business operating contracts, transactions and arrangements of amount from "not more than 5%" to "not more than 10%" of the Company's latest audited net asset value under Article 115(4).

2. At the extraordinary general meeting held on 5 August 2008, the amendments to the Articles of Association were considered and approved are set out below:

   Article 10 of the Articles of Association was originally read as:

   "The scope of business of the Company shall be that as approved by the competent authority of the Company's registration.

   The scope of business of the Company includes:

   Permitted business referred to the secondment of labor aboard to implement foreign contractual projects (for the period ending 31 December, 2009). General business referred to the research, development, production and sale of inorganic non-metal materials; the design, production and sale of inorganic non-metal materials appliances; general project contractor; consultation and design of projects; business of import and export; construction projects; leasing and sales of parts for mining machineries, the related technical consultation and professional services for the above mentioned businesses.

   The Company could base on the domestic and foreign market situations, the development of business and the self-capacity to adjust its scope of business, and handle the relevant procedures for adjustment in accordance with the regulations."

   has been amended as follows:

   "The scope of business of the Company shall be that as approved by the competent authority of the Company's registration.

   The scope of business of the Company includes:

   Permitted business referred to the secondment of labor aboard to implement foreign contractual projects (for the period ending 17 October, 2012). General business referred to the research, development, production and sale of inorganic non-metal materials; the design, production and sale of inorganic non-metal materials appliances; general project contractor; consultation and design of projects; business of import and export; construction projects; leasing and sales of parts for mining machineries, the related technical consultation and professional services for the above mentioned businesses.

   The Company could base on the domestic and foreign market situations, the development of business and the self-capacity to adjust its scope of business, and handle the relevant procedures for adjustment in accordance with the regulations."

   The Board has reviewed the above documents concerning the adoption of relevant corporate governance and is of the view that the requirements listed in the documents have complied with all the code provisions as set out in the "Code of Corporate Governance Practices" of the Listing Rules and are consistent with most of the recommended best practices set out therein.

   Compared with the code provisions as set out in the "Code on Corporate Governance Practices", the codes on corporate governance adopted by the Company are even more stringent in the following areas:

   1. Apart from the Audit Committee and the Remuneration Committee, the Company has also established the Strategy Committee and the Nomination Committee.

   2. Independent Directors are required by the Rules of Procedures for the Board to review, at least once a year, the information provided by the Company's controlling shareholders in relation to the compliance with and performance of the non-competition agreement.

Code on Corporate Governance Practices

For the year ended 31 December 2008, the Company has fully complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules, and requests that securities transactions by Directors be conducted according to the Model Code, which is also applicable to the senior management of the Company. After the special inquiries conducted by the Company, all Directors have confirmed that they have fully complied with the Model Code during entire year of 2008.

Board of Directors

The composition of the Board and other information are set out below:

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and executive Director	M	55	26 July 2007 to 25 July 2010
YU Shiliang	Executive Director and president	M	54	26 July 2007 to 27 March 2009
	Non-executive Director			27 March 2009 to 25 July 2010
LIU Zhijiang	Non-executive Director	M	51	26 July 2007 to 25 July 2010
ZHOU Yuxian	Non-executive Director	M	45	26 July 2007 to 27 March 2009
	Executive Director and president			27 March 2009 to 25 July 2010
CHEN Xiaozhou	Non-executive Director	M	46	26 July 2007 to 25 July 2010
YANG Yuzhong	Independent non-executive Director	M	64	26 July 2007 to 25 July 2010
ZHANG Lailiang	Independent non-executive Director	M	61	26 July 2007 to 25 July 2010
ZHANG Qiusheng	Independent non-executive Director	M	40	26 July 2007 to 25 July 2010
LEUNG Chong Shun	Independent non-executive Director	M	43	26 July 2007 to 25 July 2010

The Board is the standing decision-making body of the Company and it leads and supervises the Company in a responsible and efficient manner. All the Directors are obliged to act in the best interest of the Company. Members of the Board understand that they are jointly and severally responsibility to all the shareholders for the management, supervision and operation matters of the Company.

The Board mainly decides on the following matters:

- Formulation of the Company's strategy and policy;
- Establishment of the management's target;
- Supervision of the performance of the senior management; and
- Ensuring the Company's implementation of a prudent and effective monitoring structure to assess and manage risks.

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial status of the Company and the results and cashflows during the relevant period. When preparing the financial statements for the year ended 31 December 2008, the Board has selected and applied appropriate accounting policies and made prudent, fair and reasonable judgement and estimates to prepare the financial statements on the basis of going concern. The Board is responsible for maintaining the accounting records properly, such records should be able to reasonably and accurately disclose the financial information of the Company at any time. The Board will convene meetings at least four times per year and whenever important decisions have to be made.

Corporate Governance Report

During the reporting period, Mr. Tan Zhongming and Mr. Yu Shiliang serve as the chairman and president of the Company respectively. Chairman and president are two different positions which are clearly separated. The chairman shall not concurrently serve as the president. The division of the responsibilities between the chairman and the president shall be made clearly in the written terms of reference. The chairman is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of the Company has described in detail the respective responsibilities of the chairman and president. Other than the Directors and Supervisors of the Company, senior management is responsible for the daily business operation of the Company. Their duties have been set out in the section of "Biography of Directors, Supervisors and Senior Management" in the annual report.

All the Directors are required to declare any direct or indirect interest involved in any matter or transaction discussed in the Board meeting, and not to be present at the meeting when appropriate. Directors are also requested by the Company to provide details and confirm any connected transactions that they or their respective associates had entered into with the Company or its subsidiaries for each financial period.

A total of 15 Board meetings were convened during 2008. The attendance of the individual members in the Board meetings is as follows:

Directors	Number of Attendance	Number of Attendance by proxy	Attendance Rate
TAN Zhongming	14	1	93%
YU Shiliang	15	0	100%
LIU Zhijiang	15	0	100%
ZHOU Yuxian	15	0	100%
CHEN Xiaozhou	14	1	93%
YANG Yuzhong	15	0	100%
ZHANG Lailiang	15	0	100%
ZHANG Qiusheng	15	0	100%
LEUNG Chong Shun	14	1	93%

Since the establishment of the Company on 31 July 2007, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of 3 independent non-executive directors, and Rule 3.10(2), which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

As required by the Hong Kong Stock Exchange, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has accepted the confirmation letter from each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company also confirms that all the independent non-executive Directors are independent parties.

Apart from their duties in the Company, the Directors, Supervisors and senior management do not have any relationship with the Company in financial, business, family or other material aspects.

Other than their own service contracts, the Directors and Supervisors of the Company do not have any direct or indirect personal material interest in the contracts of significance entered into by the Company or any of its subsidiaries in 2008.

The Company has established the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Strategy Committee

The Strategic Committee comprises Mr. Tan Zhongming, Mr. Yu Shiliang, Mr. Liu Zhijiang, Mr. Zhou Yuxian, Mr. Yang Yuzhong and Mr. Chen Xiaozhou. Mr. Tan Zhongming is the chairman. The Strategy Committee considers, evaluates, reviews and recommends to the Board proposed major investments, acquisitions and disposals and conducts post-investment evaluation of investment projects, and reviews and considers the overall strategic direction of the Company and business developments of the Company.

The Strategy Committee convened the 1st meeting of the Strategy Committee of the first session of the Board on 27 March 2009, at which the Investment and Development Department of the Company reported the 2009 investment plan (draft) of the Company. All members of the Strategy Committee attended the meeting.

Audit Committee

The Audit Committee comprises Mr. Zhang Qiusheng, Mr. Zhang Lailiang and Mr. Liu Zhijiang, Mr. Zhang Qiusheng is the chairman. The primary duty of the Audit Committee is to examine and supervise the financial reporting procedures and internal control system of the Company and give advice to the Board.

From the date of the Company's listing on the Hong Kong Stock Exchange and up to 31 December 2008, the Company has been fully in compliance with the requirements of Rule 3.21 of the Listing Rules.

During the reporting period, the Audit Committee held four meetings, details of which are set out below:

1. At the first meeting of the Audit Committee of the first session of the Board convened on 29 February 2008, the details of the meeting are set out below:

   (1) hear and consider the audit plan for auditing the 2007 annual report by the external auditor; (2) examine the independence and objectivity of the external auditor.

2. At the second meeting of the Audit Committee of the first session of the Board on 18 April 2008, the details of the meeting are set out below:

   (1) consider the resolution relating to the appointment of the external auditor for 2008; (2) hear the summary report on the 2007 financial report given by the finance department; (3) hear the information on audit of the 2007 financial report given by the external auditor; (4) consider the resolutions relating to submission of the 2007 financial report and annual report to the Board.

3. At the third meeting of of the Audit Committee of the first session of the Board on 28 August 2008, the details of the meeting are set out below:

   (1) hear the summary report on the 2008 interim financial report given by the finance department; (2) consider the resolution relating to submission of the 2008 interim financial report to the Board.

4. At the fourth meeting of the Audit Committee of the first session of the Board on 28 November 2008, the details of the meeting are set out below:

   (1) hear the summary report relating to the change of HK auditor and PRC auditor of the 2008 annual report; (2) consider the resolution relating to the appointment of SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants as the HK auditor and PRC auditor for the year 2008.

Among the members of the Audit Committee, Mr. Liu Zhijiang authorized other members to attend the first and fourth meeting, while other members all attended the above meetings.

The Directors are responsible for supervising the preparation of the financial statements for each financial period, to ensure the financial statements give a true and fair view of the business, the results and the cashflow of the Company during the period. When preparing the financial statements for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them on a consistent basis. The Directors have also approved the adoption of all the standards which are consistent with the Hong Kong Financial Reporting Standards, made prudent and reasonable judgement and estimates and prepared the financial statements on the basis of going concern.

Corporate Governance Report

The Audit Committee has reviewed the interim financial statements and the audited financial statements for the year 2008.

At the fourth meeting of the Audit Committee of the first session of the Board, matters relating to the change and appointment of external auditor and domestic auditor were considered, and it was agreed to appoint SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants as the HK auditor and PRC auditor for the year 2008 respectively.

Remuneration Committee

The Remuneration Committee comprises Mr. Zhang Lailiang, Mr. Zhang Qiusheng and Mr. Leung Chong Shun, Mr. Zhang Lailiang is the chairman. In accordance with more strictly regulated requirements for corporate governance, at the twelfth meeting of the first session of the Board on 22 August 2008, the composition of the Remuneration Committee was considered and approved, and it was agreed that Directors Mr. Tan Zhongming and Mr. Zhou Yuxian shall cease to be the chairman and member of the Audit Committee, respectively. Prior to this arrangement, the Remuneration Committee comprised Mr. Tan Zhongming, Mr. Zhou Yuxian, Mr. Zhang Lailiang, Mr. Zhang Qiusheng and Mr. Leung Chong Shun, Mr. Tan Zhongming is the Chairman. The Remuneration Committee is of the view that external professional consultant will be employed when necessary to provide assistance and/or opinion on relevant matters.

The primary duties of the Remuneration Committee include to determine and review the specific remuneration package and performance of the Directors and senior management of the Company according to the remuneration and performance management policy and structure for Directors and senior management established by the Board.

During the reporting period, the first meeting of the Remuneration Committee of the first session of the Board was held on 18 April 2008 in Beijing. All members of the Remuneration Committee attended the meeting, at which the details of the meeting are as follows: (1) hear and consider the share appreciation rights incentive plan of the Company. (2) hear and consider the Management Measures for Remuneration of the Company. All members of the Remuneration Committee attended the meeting.

Nomination Committee

The Nomination Committee comprises Mr. Tan Zhongming, Mr. Yu Shiliang, Mr. Liu Zhijiang and Mr. Zhou Yuxian, Mr. Tan Zhongming is the chairman. The Nomination Committee is responsible for reviewing the structure, number of members and constitution of the Board and making recommendations to the Board in relation to any changes; nominating candidates for director positions in subsidiaries, verifying the eligibility of such nominees and making recommendations to the Board in respect of such nominations.

During the reporting period, the Nomination Committee held four meetings, at which the composition of the members of the boards and the supervisory committees of the Company's subsidiaries were discussed and approved. All members of the Nomination Committee attended the four meetings and connected Directors have abstained from attending the meetings pursuant to the relevant requirements.

The Company appoints new directors according to a transparent procedure which has been duly formulated after prudent consideration. The nomination of the candidate for directorship is usually submitted by the Board to the general meeting of the Company. The shareholders and the Supervisory Committee may nominate candidate for directorship according to the requirements of the Articles of Association.

An Independent non-executive Director has a term of office of 3 years and is eligible for re-election and re-appointment. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their term of office. The Company shall make special disclosure for any early removal of an independent non-executive Director.

Auditors' Remuneration

As approved at the extraordinary general meeting convened by the Company on 16 December 2008, the Company appointed SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants as the HK auditor and PRC auditor for 2008 of the Company respectively and authorized the Audit Committee to fix their remuneration. The Company's annual audit fee for the year ended 31 December 2008 amounted to approximately RMB7 million.

PricewaterhouseCoopers has reviewed the unaudited condensed combined interim financial information for the six months ended 30 June 2008 of the Company, with a review fee amounted to RMB3.15 million.

During the reporting period, the unaudited service fees of RMB400,000 were incurred in reviewing the profit forecast by SHINEWING (HK) CPA Limited for the connected transactions relating to the acquisition of certain equity interests in 14 target companies held by Tianjin Zhongtian by Sinoma International.

During the reporting period, the unaudited service fees of RMB1,500,000 were incurred in reviewing the profit forecast by PricewaterhouseCoopers for the connected transactions relating to the acquisition of 30.4% equity interest in NBM from Gongying and capital contribution to NBM by the Company.

Shareholders' Right

As the owners of the Company, shareholders of the Company are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. Shareholders' general meeting is the supreme mechanism possessing the greatest power and shareholders exercise their power through general meetings. During the reporting period, the Company held four general meetings.

The Board and senior management understand that they are representing the overall interest of all the Shareholders and their first priority is to maintain the stable and continuous growth of shareholders' value and investment return in the long run and enhance the competitiveness of the business.

According to the Articles of Association, when shareholder(s) who solely or jointly hold 10% or more (inclusive) of the Company's outstanding voting shares demand to convene an extraordinary general meeting in writing (the number of shares held is determined on the day on which the shareholder lodges his demand in writing), the extraordinary general meeting shall be convened within two months. The relevant documents shall state clearly the purpose of such meeting and shall be sent to all the shareholders. Shareholders may suggest to the Board with the procedure for enquiry and propose such procedure in a general meeting.

Internal Control System

In order to fulfill the relevant regulatory requirements of the places where the Company is listed and strengthen the internal control management of the Company, the Company has established a range of internal control systems, including audit management system. After continuous discussion and modification, "Management System for Information Disclosure", "Management System for Connected Transactions", "Management System for Investor Relations", "Working System for Independent Directors" and "Management System for Finance" were considered and approved by the Board on 22 April 2008.

The Directors have reviewed the effectiveness of the internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the "Code on Corporate Governance Practices". The review covered financial control, operation control and compliance control and risk management function control.

Review for the Year

In 2008, the management has reviewed the internal control of the Company, which covered: financial control, operation control, compliance control and risk management function. Based on the target set by the Company, the management identified and assessed the internal and external risks to which the Company was exposed in order to identify the major risks of the Company and further determine the substantial risks. According to the above procedure, the Company's major management and control procedures and the risk involved in such procedures were analyzed, the key control activities were identified and the control measures were improved or perfected along the key control points. Officers were delegated to conduct tests on recognised key control procedures and key control activities, and, based on the testing results, ascertained whether the internal control is functioning and improved the weaknesses and control defects.

The Board has analyzed in detail the procedure, method and assessment results of the above internal control review by reference to the relevant requirements of the Hong Kong Stock Exchange, and no significant problem has been identified. The internal control system can safeguard the safety and integrity of the assets, and enhance the operating efficiency and effectiveness of the Company. The Company maintained appropriate information, records and programme, guaranteed the timeliness, relevance and reliability of the Company's financial statements and relevant information. It also ensured that relevant information has been sufficiently disclosed in these financial statements and applicable law and requirements have been complied with.

Corporate Governance Report

Internal Audit Unit

At the second meeting of the first session of the Board, the establishment of the Company's audit department was considered and approved, which is responsible for the internal audit of the Company.

During the reporting period, the audit department of the Company fully implemented the "Five Combinations" working mode in accordance with the requirements of "facilitating management through audit, demanding efficiency from management" and under the guidance of innovation, responsibilities, learning and services. These involve the combination of the audit of the Company with that of its subsidiaries, the combination of comprehensive audit with key audit, the combination of subsequent audit with prior audit and interim audit, the combination of internal audit with external audit, and of audit result with audit adjustment. In 2008, with the objective of "establishing an international first-class management system", the audit department perfected the audit management system and emphasized the audit supervision of key areas, key enterprises, key capital and key risks.

First, it fully completed the establishment of an audit system. An internal audit system was established pursuant to the requirements of the "Provisional Measures on Internal Audit and Management of National Enterprises", "Notice Relating to the Reinforcement of Internal Audit Work of National Enterprises", "Provisional Measures on Audit Management of Economic Responsibilities of National Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council; the "Internal Control Standards for Enterprises" formulated by the Ministry of Finance; the "Code on Corporate Governance Practices" formulated by the Hong Kong Stock Exchange; and together with the strategies and management concepts of the Company. The system includes a basic system, namely the internal audit method, and five specific systems, namely economic responsibilities audit method, implementation details of economic responsibility audit, special item audit method, internal control audit method and internal audit management method.

Second, the audit department reinforced the annual regular economic responsibility audit, and clearly stated annual operating performance and economic responsibilities through confirming the completion status of annual operating goals. The department also analyzed and reviewed all works to find out weaknesses and made proposals to correct them, so that to improve management and efficiency.

Third, the audit department commenced internal control audit which focuses on the effectiveness of systems relating to internal control environment, budget management, economic operation analysis, performance assessment, sales and payment collection, purchases and payment, production flow, etc.; and their compliance in daily implementation. Through such audit work, the audit dapartment had a deeper understanding of internal control, and made the conclusion of experience on the mode of effective internal control management, the suggestion of reform proposals targeted at the weaknesses of internal control, and the subsequent supervision of implementation theseof

Investor Relations and Communication with Shareholders

During the reporting period, the Group communicated with its investors and shareholders in a pro-active, honest, open and fair manner through numerous official channels including holding shareholders' general meetings and results announcement meetings etc., to ensure fair disclosure of the Group's performance and business and to make comprehensive and transparent reports.

Shareholders' general meetings not only make decisions on major matters of the Group, but also provide direct communication channels among the Directors, the management and the shareholders. Therefore, the Company highly value shareholders' general meetings and send notices of such meetings 45 days prior to the meetings which set out the procedures for voting by poll and the rights of shareholders to demand to vote by poll in accordance with the Listing Rules. During the reporting period, the Company held four shareholders' general meetings at which major matters of the Company were considered (such as issue of bonds, providing external guarantee, connected transactions, etc.).

The Company highly value investor relations and has set up a special telephone number and electronic mail box for investors. During the year, the Company participated in six large investor summits organized by BOC International, Deutsche Bank, Merrill Lynch, Morgan Stanley, UBS, etc.; ran three non-deal roadshows, received 138 visits by investment organizations; and organized and participated in twelve overseas teleconferences. Through contacts with the investors, investors have timely full understanding of various financial and operating information of the Company and its latest development, and are able to support decisions made by the Company.

The Company issues annual report and interim report for despatching to all shareholders. The Company also published its announcements, circulars and news releases on its website at www.sinoma-ltd.cn.

To provide effective channels of communication, the Company updates its website from time to time and releases corporate information and other related financial and non-financial information on its website in time.

Independent Auditor's Report

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF
CHINA NATIONAL MATERIALS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China National Materials Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 179, which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
14 April 2009

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 *(Restated)*
Non-current assets			
Property, plant and equipment	10	**15,079,887**	10,231,995
Prepaid lease payments	11	**1,646,696**	1,280,039
Investment properties	12	**102,157**	99,496
Intangible assets	13	**161,634**	97,955
Mining rights	15	**56,335**	46,548
Interests in associates	16	**207,250**	632,369
Available-for-sale financial assets	19	**503,563**	59,367
Deferred tax assets	31	**233,831**	180,272
Derivative financial instruments	18	**15,051**	—
Trade and other receivables	21	**68,450**	102,832
Deposit paid for acquisition of a subsidiary	20	**300,000**	100,000
Other non-current assets		**77,445**	108,614
		18,452,299	12,939,487
Current assets			
Inventories	22	**4,014,732**	2,577,741
Trade and other receivables	21	**6,706,953**	5,322,889
Prepaid lease payments	11	**61,391**	48,711
Derivative financial instruments	18	**6,455**	—
Amounts due from customers for contract work	23	**430,699**	357,930
Other current assets		**125,637**	166,586
Restricted cash	24	**4,594,524**	1,478,119
Bank balances and cash	25	**10,252,386**	8,780,132
		26,192,777	18,732,108
Current liabilities			
Amounts due to customers for contract work	23	**505,121**	204,387
Trade and other payables	29	**18,217,339**	11,784,424
Dividends payable		**—**	553,834
Tax liabilities		**171,256**	292,515
Derivative financial instruments	18	**3,882**	—
Borrowings	30	**7,854,270**	4,124,381
Early retirement and supplementary benefit obligations	32	**21,108**	21,100
Provisions	33	**35,847**	25,231
		26,808,823	17,005,872
Net current (liabilities) assets		**(616,046)**	1,726,236
Total assets less current liabilities		**17,836,253**	14,665,723

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Non-current liabilities			
Trade and other payables	29	**4,755**	13,469
Deferred tax liabilities	31	**155,132**	157,953
Borrowings	30	**4,930,131**	3,931,527
Derivative financial instruments	18	**48,855**	—
Deferred income	28	**339,080**	313,775
Early retirement and supplementary benefit obligations	32	**142,573**	167,770
		5,620,526	4,584,494
NET ASSETS		**12,215,727**	10,081,229
Capital and reserves			
Share capital	26	**3,571,464**	3,431,708
Reserves	27	**3,222,166**	2,675,053
Equity attributable to equity holders of the Company		**6,793,630**	6,106,761
Minority interests		**5,422,097**	3,974,468
TOTAL EQUITY		**12,215,727**	10,081,229

The consolidated financial statements on pages 61 to 179 were approved and authorised for issue by the board of directors on 14 April 2009 and are signed on its behalf by:

Director *Director*

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 *(Restated)*
Turnover	34	**25,244,819**	20,733,927
Cost of sales		**(20,687,372)**	(17,339,708)
Gross profit		**4,557,447**	3,394,219
Interest income	40	**196,622**	88,113
Other gains	35	**599,615**	389,102
Selling and marketing expenses		**(730,845)**	(607,884)
Administrative expenses		**(1,773,273)**	(1,273,998)
Exchange loss	41	**(238,185)**	(13,812)
Other expenses	36	**(277,160)**	(29,940)
Finance costs	39	**(593,127)**	(428,343)
Share of results of associates		**30,987**	49,973
Profit before tax		**1,772,081**	1,567,430
Income tax expense	42	**(251,737)**	(402,283)
Profit for the year	37	**1,520,344**	1,165,147
Attributable to:			
Equity holders of the Company		**564,556**	486,642
Minority interests		**955,788**	678,505
		1,520,344	1,165,147
Dividends	44	**71,429**	572,633
Earnings per share - basic (expressed in RMB per share)	43	**0.158**	0.202

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital RMB'000	**Reserves** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2007, as originally stated	2,303,810	(359,828)	1,943,982	2,600,591	4,544,573
Effect of adopting merger accounting for common control combination	—	67,042	67,042	718,746	785,788
At 1 January 2007, as restated	2,303,810	(292,786)	2,011,024	3,319,337	5,330,361
Exchange difference arising on translation of the financial statements of foreign operations recognised directly in equity	—	3,068	3,068	4,009	7,077
Profit for the year and total recognised income for the year, as restated	—	486,642	486,642	678,505	1,165,147
Dividends declared to minority interests	—	—	—	(174,440)	(174,440)
Special distribution	—	(482,701)	(482,701)	—	(482,701)
Cash contributions from the minority interests	—	—	—	309,214	309,214
Acquisition of subsidiaries	—	—	—	8,382	8,382
Attributable to disposal of subsidiaries	—	—	—	(150)	(150)
Transactions with minority interests	—	(5,416)	(5,416)	(170,389)	(175,805)
Acquisition of an associate achieved in stages	—	21,692	21,692	—	21,692
Transfer of certain assets and liabilities to the SINOMA Group upon completion of the Reorganisation (defined in Note 1.2(a))	—	44,401	44,401	—	44,401
Merger reserve arising from common control combinations	—	37,392	37,392	—	37,392
Deferred tax assets arising from the assets revaluation surplus during the Reorganisation	—	6,040	6,040	—	6,040
Cash contributions received from the Other Promoters (defined in Note 1.2(b))	196,190	103,810	300,000	—	300,000
Deemed contribution from SINOMA (defined in Note 1.1)	—	98,700	98,700	—	98,700
Issuance of new shares upon listing	931,708	2,744,143	3,675,851	—	3,675,851
Special dividend	—	(89,932)	(89,932)	—	(89,932)
At 31 December 2007, as restated	3,431,708	2,675,053	6,106,761	3,974,468	10,081,229

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company				
	Share capital RMB'000	**Reserves** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total** RMB'000
At 1 January 2008, as restated	**3,431,708**	**2,675,053**	**6,106,761**	**3,974,468**	**10,081,229**
Exchange difference arising on translation of the financial statements of foreign operations	–	(4,074)	(4,074)	(3,997)	(8,071)
Gain on fair values changes of available-for-sale financial assets	–	4,027	4,027	–	4,027
Deferred tax liabilities arising from the change in fair value of available-for-sale financial assets	–	(586)	(586)	–	(586)
Net expenses recognised directly in equity	–	(633)	(633)	(3,997)	(4,630)
Profit for the year and total recognised income for the year	–	564,556	564,556	955,788	1,520,344
Dividends paid to minority interests	–	–	–	(517,148)	(517,148)
Contributions from minority interests	–	–	–	953,641	953,641
Transactions with minority interests	–	37,132	37,132	59,345	96,477
Merger reserves arising from common control combinations	–	(479,149)	(479,149)	–	(479,149)
Issuance of new shares through the exercise of over-allocation option	139,756	445,762	585,518	–	585,518
Shares issued expenses on over-allocation option	–	(20,555)	(20,555)	–	(20,555)
At 31 December 2008	**3,571,464**	**3,222,166**	**6,793,630**	**5,422,097**	**12,215,727**

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000 *(Restated)*
OPERATING ACTIVITIES		
Profit before tax	**1,772,081**	1,567,430
Adjustments for:		
Share of results of associates	**(30,987)**	(49,973)
Dividend income on available-for-sale financial assets	**(8,386)**	(15,579)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition	**–**	(326)
Interest income	**(196,622)**	(88,113)
Gain on disposals of subsidiaries	**–**	(12,582)
Gain on deemed disposal of an associate	**(8,576)**	–
Gain on disposals of associates	**–**	(3,034)
Debt restructuring gain	**–**	(56,524)
Finance costs	**593,127**	428,343
Waiver on other payables	**(17,645)**	(12,926)
Foreseeable losses on construction contracts	**905**	1,818
Net change in fair value of other financial assets and financial liabilities	**31,231**	–
Impairment loss recognised in respect of trade receivables	**89,998**	83,723
Impairment loss recognised in respect of other receivables	**43,765**	13,045
Impairment loss recognised (reversed) in respect of loan receivables	**4,477**	(4,084)
Allowance for inventories	**83,386**	4,515
Reversal of allowance for inventories	**(1,317)**	(4,797)
Impairment loss recognised in respect of property, plant and equipment	**6,846**	21,344
Impairment loss recognised in respect of intangible assets	**9,068**	63
Impairment loss recognised in respect of available-for-sales financial assets	**4,710**	900
Depreciation of property, plant and equipment and investment properties	**967,716**	674,035
Government grants	**(29,168)**	(53,148)
Amortisation of intangible assets	**31,901**	17,923
Amortisation of prepaid lease payments	**44,727**	33,296
Amortisation of mining rights	**4,279**	3,879
Amortisation of government grants relating to property, plant and equipment and prepaid lease payments	**(116,224)**	(56,527)
Net (gain) loss on disposals of property, plant and equipment	**24,588**	(2,919)
Gain on disposals of prepaid lease payments	**(28,561)**	(8,114)
Operating cash flows before movements in working capital	**3,275,319**	2,481,668
(Increase) decrease in inventories	**(1,318,825)**	21,227
Increase in trade and other receivables	**(1,266,362)**	(1,276,531)
Decrease in contracts work-in-progress	**227,965**	138,219
Decrease in early retirement and supplemental benefit obligations	**(25,189)**	(2,802)
Increase in trade and other payables	**5,455,520**	2,732,433
Increase (decrease) in provisions	**10,616**	(749)
Decrease (increase) in other current and non-current assets	**73,096**	(271,437)
Cash generated from operations	**6,432,140**	3,822,028
Income tax paid	**(473,435)**	(269,525)
NET CASH FROM OPERATING ACTIVITIES	**5,958,705**	3,552,503

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000 *(Restated)*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,193,122)**	(2,211,882)
Increase in restricted cash	**(3,085,405)**	(487,902)
Payments for acquisition of additional equity interests in subsidiaries	**(480,175)**	(218,708)
Prepayment for acquisition of a subsidiary	**(300,000)**	(100,000)
Purchase of prepaid lease payments	**(255,157)**	(164,533)
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	**(163,644)**	282
Increase in loan receivables	**(47,306)**	(23,999)
Payments for common control business combination	**(33,984)**	—
Increase in loan receivables	**(30,292)**	—
Purchase of intangible assets	**(23,860)**	(10,826)
Purchase of mining rights	**(8,591)**	(28,410)
Purchase of investment properties	**(2,299)**	(2,200)
Interest received on bank deposits and loans	**196,622**	62,047
Proceeds from disposals of property, plant and equipment	**106,817**	37,004
Proceeds from disposals of prepaid lease payments	**54,478**	9,402
Dividends received from associates	**24,002**	5,253
Proceeds from disposals of available-for-sale financial assets	**12,192**	13,833
Dividends received on available-for-sale financial assets	**8,386**	15,579
Purchase of available-for-sale financial assets	**—**	(3,460)
Net cash outflow on disposals of subsidiaries	**—**	(14,996)
Increase in investment in associates	**—**	(85,621)
Proceeds from disposals of associates	**—**	18,970
Collection of deposits for acquisition of additional equity interests in a subsidiary	**—**	206,123
NET CASH USED IN INVESTING ACTIVITIES	**(8,221,338)**	(2,984,044)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 RMB'000	2007 RMB'000 *(Restated)*
FINANCING ACTIVITIES		
Proceeds from new borrowings	**8,147,697**	5,308,077
Contributions received from minority interests	**660,490**	309,214
Gross proceeds from issuance of new shares	**585,518**	—
Government grant received	**167,925**	167,216
Contributions received from former shareholders of subsidiaries	**44,263**	39,320
Repayments of borrowings	**(4,021,542)**	(4,614,253)
Interest paid	**(666,193)**	(409,588)
Dividends paid	**(553,834)**	—
Dividends paid to minority shareholders of subsidiaries	**(517,148)**	(249,983)
Disbursement of incremental costs directly attributable to issuance of shares upon listing	**(69,498)**	(192,991)
Shares issued expenses on over-allocation option	**(20,555)**	—
Dividends paid to former shareholders of subsidiaries	**(7,855)**	(1,928)
Repayment of contributions prepaid by BBMG Group Co., Ltd. to a subsidiary	**—**	(100,000)
Capital contributions received from the Other Promoters	**—**	300,000
Gross proceeds from issuance of new shares upon listing	**—**	3,958,483
Interest received on deposits relating to share subscription proceeds from the initial public offering of the Company	**—**	26,066
Transfer to the SINOMA Group upon completion of the Reorganisation	**—**	(67,475)
NET CASH FROM FINANCING ACTIVITIES	**3,749,268**	4,472,158
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,486,635**	5,040,617
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**8,780,132**	3,801,575
Effect of foreign exchange rate changes	**(14,381)**	(62,060)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**10,252,386**	8,780,132

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

China National Materials Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 31 July 2007 as a joint stock company with limited liability under the Company Law of the PRC as a successor of China National Non-Metallic Materials Corporation ("CNNMC"), a wholly-owned subsidiary of China National Materials Group Corporation ("SINOMA"). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

The address of the registered office and the principal place of business of the Company is at No. 11, Beishuncheng Street, Xizhimennei, Beijing, the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in cement equipment and engineering services and manufacturing of cement, glass fibre and other high-tech materials. Particulars of the Company's subsidiaries are set out in Note 51.

1.2 Reorganisation

(a) Pursuant to the reorganisation (the "Reorganisation") of SINOMA and its subsidiaries (collectively referred to as the "SINOMA Group") in preparation for a listing of the Company's shares on the Stock Exchange in 2007, the Company issued 1,565,202,629 ordinary shares of RMB1.00 each to SINOMA and consequently became the holding company of certain companies/operations previously owned by the SINOMA Group, including CNNMC and other subsidiaries of SINOMA. SINOMA and its subsidiaries, including CNNMC, are state-owned enterprises under the control of the State Council. The principal reorganising transactions include:

(i) transfer of CNNMC and most of its subsidiaries/operations, equity interests in associates and jointly controlled entities (the "CNNMC Core Business") into the Group, after transferring certain subsidiaries/operations (the "Excluded Business") from CNNMC to the SINOMA Group which are not strategically complementary to the Group's operations or provide only auxiliary facilities to the Group, including real estate management and property leasing business, mine construction and other minor non-metallic materials business;

(ii) transfer of an additional 8.5% equity interests in Sinoma Cement Co., Ltd. ("Sinoma Cement"), an additional 3.54% equity interests in Sinoma International Engineering Co., Ltd. ("Sinoma International"), an additional 1% equity interests in Sinoma Zhuzhou Cement Co. Ltd., an additional 20% equity interests in Beijing Composite Materials Co., Ltd. and an additional 25% equity interests in Suzhou Sinoma Design & Research Institute of Non-metallic Minerals Industry Co., Ltd., which were subsidiaries of CNNMC, as well as a 51% equity interests in Xiamen ISO Standard Sand Co., Ltd. and a 0.85% equity interests in Taishan Fibreglass Inc. ("CTG") from the SINOMA Group to the Company;

(iii) transfer of certain assets and liabilities of CNNMC and its subsidiaries to the SINOMA Group which were not retained by the Group but were related to the CNNMC Core Business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION AND REORGANISATION (Continued)

1.2 Reorganisation (Continued)

(b) In addition, as a result of the Reorganisation, four other state-owned enterprises (the "State-owned Promoters") contributed their equity interests in the following three companies to the Company as directed by the relevant governmental authorities in exchange for an aggregate of 738,607,544 shares of RMB1.00 each in the Company:

(i) a 99.15% equity interests in CTG;

(ii) a 14.72% equity interests in Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement"), in which the Group had a 21.56% equity interests prior to the contribution;

(iii) a 17.24% equity interests in Sinoma Advanced Materials Co., Ltd. ("Sinoma Advanced Materials"), in which the Group had a 68.42% equity interests prior to the contribution.

On the same date, an aggregate of 196,189,827 shares of RMB1.00 each in the Company were issued to two other entities (the "Other Promoters") for a cash consideration of RMB300,000,000.

(c) Upon completion of the aforementioned Reorganisation and the share subscriptions on 31 July 2007, the Company was incorporated with a total of 2,500,000,000 shares issued and a share capital of RMB2,500,000,000.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 The assets and liabilities which were not retained by the Group but were related to the CNNMC Core Business, as described in Note 1.2(a)(iii) above, were included in the consolidated financial statements before the Reorganisation, because the operations of these assets and liabilities could not be clearly distinguished from the CNNMC Core Business and were not managed separately. These assets and liabilities, together as a net liability of RMB44,401,000 as at 31 July 2007, were accounted for as a contribution from the SINOMA Group upon the Reorganisation during the year ended 31 December 2007.

2.2 The consolidated financial statements have not included the assets, liabilities and results of operations of the Excluded Business as described in Note 1.2(a)(i) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have no more than incidental common facilities and costs shared with the Group.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

2.3 Business combination under common control

(a) On 10 October 2008, the Company entered into a share transfer agreement ("Acquisition Agreement") with Ningxia Gongying Investment Limited Company ("Gongying"). According to the Acquisition Agreement, the Company acquired 30.4% equity interests in Ningxia Building Materials Group Company Limited ("Ningxia Building Materials") from Gongying at a cash consideration of RMB440,102,600. Concurrent with the signing of the Acquisition Agreement, the Company also entered into the capital increase agreement ("Capital Increase Agreement") with SINOMA and Gongying, pursuant to which the Company has increased the registered capital of Ningxia Building Materials to RMB781,711,276 by making a capital contribution of RMB570,000,000 to Ningxia Building Materials in order to obtain control over Ningxia Building Materials. The Group's equity interests in Ningxia Building Materials increased by 19.66% upon the completion of the capital injection. Also, the Group could appoint 4 out of 7 directors in the board of directors of Ningxia Buildings Materials. For details of the acquisition, please refer to the circular of the Company dated 24 October 2008. The acquisition and the capital injection were completed on 31 December 2008 and Ningxia Building Materials became a subsidiary of the Company.

The business combination in relation to the acquisition of the 30.4% equity interests in Ningxia Building Materials from Gongying was accounted for using the purchase method at the business combination date as Gongying is an independent party of the Group.

However, as SINOMA supervises and manages the Company and Ningxia Buildings Materials and SINOMA is the single largest controlling shareholder which held 41.84% (2007: 43.82%) and 69.6% (2007: 69.6%) equity interests in the Company and Ningxia Buildings Materials, respectively throughout the two years ended 31 December 2008, SINOMA has de facto control over the Company and Ningxia Buildings Materials during these years. The Company and Ningxia are both under the control of SINOMA, and thus regarded as different entities under common control. Accordingly, the acquisition of 19.66% equity interests in Ningxia Buildings Materials through the capital injection was a common control combination as depicted in Note 5 below. The consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), assumed that the current structure of the Group has been in existence since the date (1 January 2007) when the Company and Ningxia Buildings Materials first came under the control of SINOMA.

(b) On 10 October 2008, the Company entered into an equity transfer agreement ("Equity Transfer Agreement") with China National Nonmetallic Minerals Industrial Corporation ("China Nonmetallic"). According to the Equity Transfer Agreement, the Company acquired the entire equity interests in China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd. ("Xi'an Engineering") from China Nonmetallic at a cash consideration of approximately RMB33,984,000. For details of the acquisition, please refer to the announcement of the Company dated 10 October 2008. The acquisition was completed on 31 December 2008 and Xi'an Engineering became a wholly-owned subsidiary of the Company.

As China Nonmetallic is a wholly-owned subsidiary of SINOMA since its date of incorporation, the Company and Xi'an Engineering are both under the control of SINOMA, and thus regarded as different entities under common control. Accordingly, the acquisition of entire equity interests in Xi'an Engineering was a common control combination as depicted in Note 5 below. The consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in AG 5 issued by the HKICPA, assumed that the current structure of the Group has been in existence since the date (28 December 2001) when the Company and China Nonmetallic first came under the control of SINOMA.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

2.4 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately RMB616,046,000 as at 31 December 2008.

In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will continually generate positive cash flows from its business; and

2. the directors have adopted various cost control measures to reduce various selling and marketing expenses and administrative expenses.

On the basis that the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any necessary adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Interpretation ("Int") 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the New HKFRSs had no material effects on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - Int 9 and HKAS 39 (Amendments)	Embedded derivatives[7]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfers of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business or a jointly controlled entity is presented as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction-in-progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction-in-progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress is carried at cost less any recognised impairment loss. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognised on the consolidated balance sheet as prepaid lease payments and are expensed in the consolidated income statement on a straight-line basis over the periods of the respective leases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets, mining rights and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible assets, mining rights and intangible assets below).

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mining rights

Mining rights represent upfront prepayments made for the mining rights and are expensed in the consolidated income statement on a straight-line basis over the period of the mining rights or when there is impairment, the impairment is expensed in the consolidated income statement.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, other current assets, restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at financial assets at fair value through profit and loss or loans and receivables.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 - 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, dividends payable and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at each balance sheet date. The resulting gain or loss is recognised in consolidated financial statements immediately. The fair values of derivatives are classified as non-current assets or liabilities when the remaining maturity of the items are more than one year and current assets or liabilities when the remaining maturity are less than one year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the foreign exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

(a) *Revenue from cement equipment and engineering services*

Revenue from cement equipment and engineering services is recognised under the percentage of completion method when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and, is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of estimated total costs.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

(b) *Other services rendered*

Revenue for other services rendered, which includes, among others, technique development, design, consultation and supervision, is recognised when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(c) *Sales of products*

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customer and the customer has accepted the products.

(d) *Rental income*

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term.

(e) *Interest income*

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) *Dividend income*

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) *Penalty income*

Penalty income is recognised when the Group's rights to receive payment have been established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowings cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and prepaid lease payments are included in non-current liabilities as deferred income and are credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other gains.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(a) *Pension obligations*

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provided supplementary pension subsidies to its employees in the PRC who retired prior to 31 December 2006. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to set amounts of employees. The liability recognised in the consolidated balance sheet in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Employees who retire after 31 December 2006 are not entitled to such supplementary pension subsidies.

(b) *Other post-employment obligations*

Some Group companies in the PRC provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. These obligations are valued annually by independent qualified actuaries. Employees who retire after 31 December 2006 are not entitled to such post-retirement medical benefits.

(c) *Termination and early retirement benefits*

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination and early retirement benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned. Benefits falling due more than 12 months after balance sheet date are discounted to present value. After 31 December 2006, the Company will not allow early retirement, nor provide such termination benefits to employees who are terminated after then.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(d) *Housing funds*

All full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Impairment losses on tangible assets, mining rights and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets, mining rights and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. ADJUSTMENTS FOR COMMON CONTROL COMBINATIONS

As depicted in Note 2, the Group undertook certain common control combinations during the year ended 31 December 2008. The following demonstrates the effect of adopting merger accounting for common control combinations on the consolidated balance sheets:

Consolidated balance sheet as at 31 December 2008:

	Group (before adopting merger accounting)	Combined entities acquired in 2008		Adjustments			Group (after adopting merger accounting)
		Ningxia Building Materials	Xi'an Engineering	Note (a)	Note (b)	Note (c)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Original investments in combining entities	1,044,087	–	–	(570,000)	(440,103)	(33,984)	–
Non-current assets	16,785,866	1,608,900	57,533	–	–	–	18,452,299
Current assets	24,358,736	1,767,808	66,233	–	–	–	26,192,777
Current liabilities	(26,063,076)	(659,970)	(85,777)	–	–	–	(26,808,823)
Non-current liabilities	(5,435,201)	(173,051)	(12,274)	–	–	–	(5,620,526)
Net assets	10,690,412	2,543,687	25,715	(570,000)	(440,103)	(33,984)	12,215,727
Share capital	3,571,464	781,711	30,516	(781,711)	–	(30,516)	3,571,464
Other reserves	2,828,255	495,217	902	(813,230)	(7,843)	(13,423)	2,489,878
Retained earnings	700,478	144,978	(5,703)	(117,420)	–	9,955	732,288
Minority interests	3,590,215	1,121,781	–	1,142,361	(432,260)	–	5,422,097
	10,690,412	2,543,687	25,715	(570,000)	(440,103)	(33,984)	12,215,727

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. ADJUSTMENTS FOR COMMON CONTROL COMBINATIONS (Continued)

Consolidated balance sheet as at 31 December 2007:

	Group (as previously reported)	Reclassifications (Note 55)	Combined entities acquired in 2008 Group	Ningxia Building Materials	Xi'an Engineering	Adjustments Note (a)	Note (b)	Group (as restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Original investments in combining entities	–	–	–	–	–	–	–	–
Non-current assets	11,619,077	(26,010)	11,593,067	1,299,443	46,977	–	–	12,939,487
Current assets	17,804,820	48,711	17,853,531	808,023	70,554	–	–	18,732,108
Current liabilities	(15,964,514)	–	(15,964,514)	(939,137)	(102,221)	–	–	(17,005,872)
Non-current liabilities	(4,432,124)	(22,701)	(4,454,825)	(120,130)	(9,539)	–	–	(4,584,494)
Net assets	9,027,259	–	9,027,259	1,048,199	5,771	–	–	10,081,229
Share capital	3,431,708	–	3,431,708	483,359	12,443	(483,359)	(12,443)	3,431,708
Other reserves	2,376,377	–	2,376,377	26,306	2,721	82,694	3,285	2,491,383
Retained earnings	179,891	–	179,891	65,181	(9,393)	(61,167)	9,158	183,670
Minority interests	3,039,283	–	3,039,283	473,353	–	461,832	–	3,974,468
	9,027,259	–	9,027,259	1,048,199	5,771	–	–	10,081,229

Notes:

(a) The adjustment represented elimination of the share capital and pre-acquisition reserves of Ningxia Building Materials under common control (Note 2.3(a)) against the capital injection of RMB570,000,000. The difference has been recorded as capital reserve in the consolidated financial statements. Adjustments are also made to minority interests as a result of the combination.

(b) The adjustment represented elimination of 30.4% minority interests for Ningxia Building Materials acquired by the Company (Note 2.3(a)) against the investment costs. The difference has been recorded as capital reserve in the consolidated financial statements.

(c) The adjustment represented elimination of the share capital and pre-acquisition reserves of Xi'an Engineering under common control (Note 2.3(b) against the investment cost. The difference has been recorded as capital reserve in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

5. ADJUSTMENTS FOR COMMON CONTROL COMBINATIONS (Continued)

Summary of the effects for common control combinations

The effects of adopting merger accounting for common control combinations on the current and prior year consolidated income statement by line items are as follows:

	2008	2007
	RMB'000	RMB'000
Increase in turnover	**2,029,067**	1,086,833
Increase in profit for the year	**357,463**	140,299
Attributable to:		
Equity holders of the Company	**64,269**	13,974
Minority interests	**293,194**	126,325
	357,463	140,299

The effects of adopting merger accounting for common control combinations on the Group's equity at 1 January 2007 are summarised below:

	As at 1 January 2007 (Originally stated)	Adjustments	As at 1 January 2007 *(Restated)*
	RMB'000	RMB'000	RMB'000
Reserves	(359,828)	67,042	(292,786)
Minority interests	2,600,591	718,746	3,319,337
Total effect on equity	2,240,763	785,788	3,026,551

The effects of adopting merger accounting for common control combination on the Group's basic earnings per share for the current and prior year:

	2008	2007
	RMB	RMB
Reported figures before adjustments	**0.140**	0.196
Adjustments arising on common control combinations	**0.018**	0.006
Restated figures after adjustments	**0.158**	0.202

6. FINANCIAL INSTRUMENTS

6.1 Categories of financial instruments

	2008 RMB'000	2007 RMB'000 *(Restated)*
Financial assets		
Derivative financial instruments	**21,506**	—
Loan and receivables (including cash and cash equivalents)	**17,521,062**	13,361,347
Available-for-sale financial assets	**503,563**	59,367
	18,046,131	13,420,714
Financial liabilities		
Derivative financial instruments	**52,737**	—
At amortised cost	**19,959,825**	14,291,229
	20,012,562	14,291,229

6.2 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Foreign exchange risk

The Group's functional currency is RMB with the majority of transactions settled in RMB. However, foreign currencies are used to collect the Group's revenue from overseas operations and settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables (except for prepayments to suppliers and subcontractors), restricted cash, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2008 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR") and Hong Kong Dollars ("HK$"). Analysis of these assets and liabilities by currency are disclosed in Notes 21, 24, 25, 29 and 30 respectively.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. During the year, however, management of the Group has entered into certain foreign currency forward contracts to hedge the exposure to foreign exchange risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS (Continued)

6.2 Financial risk management objectives and policies (Continued)

(a) *Foreign exchange risk* (Continued)

The carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the reporting date are as follows:

	Assets		Liabilities	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**985,286**	447,516	**(2,959,360)**	(1,129,609)
HK$	**9,963**	3,285,710	**(127)**	—
EUR	**235,150**	341,613	**(772)**	(102,417)

The following sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate for the purpose of assessing foreign currency risk.

Sensitivity analysis

As at 31 December 2008, if RMB had strengthened by 6% (2007: 7%) against US$ with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB102,814,000 higher (2007: RMB37,553,000 higher) , mainly as a result of foreign exchange gains on translation of US$-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted cash, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings.

As at 31 December 2008, if RMB had strengthened by 6% (2007: 7%) against HK$ with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB492,000 lower (2007: RMB154,100,000 lower) , mainly as a result of foreign exchange losses on translation of HK$-denominated trade and other receivables (except for prepayments to suppliers and subcontractors) and restricted cash, bank balances and cash and trade and other payables (except for prepayments from customers).

As at 31 December 2008, if RMB had strengthened by 9% (2007: weakened by 4%) against EUR with all other variables held constant, which was considered reasonably possible at that date by management, the profit for the year would have been approximately RMB17,479,000 lower (2007: RMB8,046,000 higher) , mainly as a result of foreign exchange losses on translation of EUR-denominated trade and other receivables (except for prepayments to suppliers and subcontractors), restricted cash, bank balances and cash, trade and other payables (except for prepayments from customers).

(b) *Cash flow and fair value interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its restricted cash, bank balances and cash and borrowings. Restricted cash, bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2008, approximately RMB4,594,524,000 of the Group's restricted cash (2007: RMB1,478,119,000), approximately RMB3,347,016,000 of the Group's bank balances (2007: RMB2,790,143,000) and approximately RMB5,362,030,000 (2007: RMB3,005,253,000) of the Group's borrowings were at fixed rates, respectively. The interest rates and maturities of the Group's restricted cash, bank balances and cash and borrowings are disclosed in Notes 24, 25 and 30 respectively.

6. FINANCIAL INSTRUMENTS (Continued)

6.2 Financial risk management objectives and policies (Continued)

(b) *Cash flow and fair value interest rate risk* (Continued)

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

As at 31 December 2008, if the interest rate on borrowings had been 100 basis points higher with all other variables held constant, which was considered reasonably possible at that date by management, profit for the year would has been RMB47,400,000 lower (2007: RMB32,447,000 lower), mainly as a result of higher interest expenses on bank borrowings.

(c) *Credit risk*

The carrying amounts of bank balances and cash, restricted cash, available-for-sale financial assets, trade and other receivables (except for prepayments to suppliers and subcontractors, staff advances), represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collaterals as security. The directors of the Company consider the Group does not have a significant concentration of credit risk. Contributions from the largest customer accounted for approximately 5% of the Group's total revenues for the year ended 31 December 2008 (2007: 13%).

The credit risk on bank balances is limited because the bank balances and restricted cash are maintained with state-owned banks or other creditworthy financial institutions in the PRC and overseas.

The credit risk on financial guarantee given by the Group is limited as the guarantees are either the stated-owned enterprises or enterprises with strong financial position as at 31 December 2008 and 31 December 2007.

(d) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings and the net proceeds from the initial public offering.

The Group is exposed to liquidity risk as at 31 December 2008 as the Group had net current liabilities of approximately RMB616,046,000. The Group has planned to implement several measures to improve its working capital position and net current financial position. Details of which are set out in Note 2.4.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30(c). Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. FINANCIAL INSTRUMENTS (Continued)

6.2 Financial risk management objectives and policies (Continued)

(d) *Liquidity risk* (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total discounted cash flows RMB'000
As at 31 December 2008					
Non-derivatives financial liabilities					
Borrowings	8,079,638	1,185,762	3,683,784	576,599	13,525,783
Trade and other payables	7,170,669	3,026	1,729	-	7,175,424
	15,250,307	1,188,788	3,685,513	576,599	20,701,207
Derivative financial instruments – gross settlement					
Interest rate swaps	-	-	53,433	-	53,433
Foreign currency forward contracts	3,882	-	-	-	3,882
	3,882	-	53,433	-	57,315
As at 31 December 2007, as restated					
Non-derivatives financial liabilities					
Borrowings	4,380,093	904,852	2,076,563	1,193,867	8,555,375
Trade and other payables	5,668,018	11,415	2,054	-	5,681,487
Dividends payable	553,834	-	-	-	553,834
	10,601,945	916,267	2,078,617	1,193,867	14,790,696

6.3 Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and
- the interest rate swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

6. FINANCIAL INSTRUMENTS (Continued)

6.3 Fair value estimation (Continued)

The carrying amounts of financial assets and financial liabilities reported in the consolidated balance sheet of the Group approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider the fair values of the other non-current assets, non-current trade and other receivables and payables approximate their carrying amounts as the impact of discounting is not significant.

7. CAPITAL RISK MANAGMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios of the Group as at 31 December 2008 and 2007 are as follows:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Total borrowings (Note 30)	**12,784,401**	8,055,908
Less: Bank balances and cash (Note 25)	**(10,252,386)**	(8,780,132)
Net debt (cash)	**2,532,015**	(724,224)
Total equity	**12,215,727**	10,081,229
Total capital	**14,747,742**	9,357,005
Gearing ratio	**17.2%**	N/A

The increase in the gearing ratio during the year ended 31 December 2008 resulted primarily from more borrowing has been obtained from the Group to finance the construction / acquisition of the property, plant and equipment.

8. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires judgment of the management. Anticipated losses are fully provided on contracts when identified. Management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction and engineering businesses, the contract activity will usually last for a period over one year and therefore fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses and regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

(b) De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the amount of additional interests in the subsidiary required to be acquired by the Group so as to obtain the legal rights to govern financial and operating policies; (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (iii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iv) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

(c) Impairment loss recongised in respect of available-for-sale financial assets

The Group follows the guidance of HKAS 39 "Financial Instruments - Recognition and Measurement" in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

8. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying the entity's accounting policies (Continued)

(e) *Ownership of the buildings and prepaid lease payments*

Despite the Group has paid the full purchase consideration as detailed in Notes 10 and 11, respectively, formal titles of certain of the Group's rights to the use of the buildings and prepaid lease payments were not yet granted from the relevant government authorities. In the opinion of the directors, the absence of formal title to these buildings and prepaid lease payments does not impair the value of the relevant assets to the Group.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Useful lives and residual value of property, plant and equipment*

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated.

(b) *Impairment of property, plant and equipment*

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. As at 31 December 2008, the carrying values of property, plant and equipment are RMB15,079,887,000 (2007: RMB10,231,995,000).

(c) *Allowance for inventories*

During the year, the Group reversed the allowance of inventory of RMB1,317,000 (2007: RMB4,797,000) and write down of inventory of RMB83,386,000 (2007: RMB4,515,000). The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and usefulness of the inventories.

(d) *Impairment loss recognised in respect of trade and other receivables*

The Group's management determines the provision for impairment of trade and other receivables with the accounting policy stated in Note 4. Such provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Management reassesses the adequacy of any such provision on a regular basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

8. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(e) *Impairment loss of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 4. The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' ("CGU") fair value less costs to sell and its value-in-use. These calculations require the use of estimates which are disclosed in Note 14.

Further details of the results of the review undertaken by management as at 31 December 2008 are set out in Note 14.

(f) *Provision for guarantees*

The Group follows the guidance of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in determining the provision for guarantees. Provisions have been made based on management's best estimates and judgments at the date of grant and at the balance sheet date if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably.

(g) *Contingent liabilities in respect of litigations and claims*

The Group has been engaged in a number of litigations and claims in respect of certain construction works. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments.

9. SEGMENT INFORMATION

9.1 Primary reporting format - business segments

For management purpose, the Group is currently organised into four business segments: (i) cement equipment and engineering services; (ii) glass fibre; (iii) cement; and (iv) high-tech materials. These activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Cement equipment and engineering services	Provision of engineering equipment and engineering services for new dry process cement production lines and mining projects and equipment manufacturing
Glass fibre	Production and sales of glass fibre and glass fiber products
Cement	Production and sales of cements and clinker and standard sand
High-tech materials	Production and sales of specialty fibre, fibre reinforcement composite materials; equipment and engineering services for glass fibre production and non-metal mineral fine processing and advance ceramics

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(a) 2008 segment information about these business is presented below:

For the year ended 31 December 2008

Consolidated income statements

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Elimination RMB'000	Total RMB'000
Revenue						
- External sales	15,548,070	2,281,986	6,251,463	1,460,970	(297,670)	25,244,819
- Inter-segment sales (Note)	(274,923)	(6,385)	(859)	(15,503)	297,670	—
	15,273,147	2,275,601	6,250,604	1,445,467	—	25,244,819
Segment results	642,503	401,517	1,037,321	210,601		2,291,942
Unallocated expenses						(154,343)
Operating profit						2,137,599
Interest income						196,622
Finance costs						(593,127)
Share of results of associates	4,919	—	23,623	2,445	—	30,987
Profit before tax						1,772,081
Income tax expense						(251,737)
Profit for the year						1,520,344

Note: The inter-segment sales were carried out with reference to market prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(a) 2008 segment information about these business is presented below: (Continued)

For the year ended 31 December 2008 (Continued)

Other information

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation on property, plant and equipment and investment properties	116,057	316,927	459,468	75,022	242	967,716
Amortisation	8,096	16,285	48,411	8,115	—	80,907
Impairment loss recognised in respect of property, plant and equipment	—	865	5,981	—	—	6,846
Impairment loss recognised in respect of intangible assets	—	—	9,068	—	—	9,068
Impairment loss recognised in respect of available-for-sale financial assets	1,710	—	3,000	—	—	4,710
Impairment loss recognised in respect of trade receivables	55,087	—	24,558	10,353	—	89,998
Impairment loss recognised in respected of other receivables	6,782	13,371	23,238	374	—	43,765
Impairment loss recognised in respect of loan receivables	4,477	—	—	—	—	4,477
Allowance for inventories	71,749	887	4,330	6,420	—	83,386
Reversal of allowance for inventories	(222)	—	—	(1,095)	—	(1,317)
Foreseeable losses on construction contracts	905	—	—	—	—	905
Capital expenditure	413,041	1,943,467	3,640,328	527,924	456	6,525,216

Capital expenditure for the year ended 31 December 2008 includes additions resulting from acquisitions through business combinations, amounting to RMB1,629,148,000.

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(a) 2008 segment information about these business is presented below: (Continued)

As at 31 December 2008 (Continued)

Consolidated balance sheet

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	9,044,494	6,270,639	11,639,048	2,186,514	(1,370,796)	27,769,899
Interests in associates	45,119	—	140,114	22,017	—	207,250
Unallocated assets						16,667,927
Total consolidated assets						44,645,076
Segment liabilities	15,231,304	1,662,914	3,104,658	570,502	(1,312,059)	19,257,319
Unallocated liabilities						13,172,030
Total consolidated liabilities						32,429,349

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(b) 2007 Segment information about these business is presented below:

For the year ended 31 December 2007, as restated

Consolidated income statement

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Elimination RMB'000	Total RMB'000
Revenue						
- External sales	13,055,065	1,743,830	4,802,792	1,166,766	(34,526)	20,733,927
- Inter-segment sales (Note)	(5,940)	(3,401)	—	(25,185)	34,526	—
	13,049,125	1,740,429	4,802,792	1,141,581	—	20,733,927
Segment results	639,263	329,276	831,212	138,262	—	1,938,013
Unallocated expenses						(80,326)
Operating profit						1,857,687
Interest income						88,113
Finance costs						(428,343)
Share of results of associates	(3,058)	—	50,387	2,644	—	49,973
Profit before tax						1,567,430
Income tax expense						(402,283)
Profit for the year						1,165,147

Note: The inter-segment sales were carried out with reference to market prices.

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(b) 2007 Segment information about these business is presented below: (Continued)

For the year ended 31 December 2007, as restated (Continued)

Other information

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation on property, plant and equipment and investment properties	101,934	155,736	376,510	39,597	258	674,035
Amortisation	6,908	6,976	34,978	6,236	—	55,098
Impairment loss recognised in respect of property, plant and equipment	—	4,234	16,519	591	—	21,344
Impairment loss recognised in respect of intangible assets	—	—	—	63	—	63
Impairment loss recognised in respect of available-for-sale financial assets	—	—	900	—	—	900
Impairment loss recognised in respect of trade receivables	2,888	8,776	68,858	3,201	—	83,723
Impairment loss recognised in respect of other receivables	—	—	12,065	—	980	13,045
Impairment loss reversed in respect of loan receivables	—	—	(4,084)	—	—	(4,084)
Allowance for inventories	—	2,246	532	1,737	—	4,515
Reversal of allowance for inventories	—	(2,771)	(967)	(1,059)	—	(4,797)
Foreseeable losses on construction contracts	1,818	—	—	—	—	1,818
Capital expenditure	314,517	1,278,675	894,933	274,627	1,249	2,764,001

Capital expenditure for the year ended 31 December 2007 includes additions resulting from acquisitions through business combinations, amounting to RMB13,219,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

9. SEGMENT INFORMATION (Continued)

9.1 Primary reporting format - business segments (Continued)

(b) 2007 Segment information about these business is presented below: (Continued)

As at 31 December 2007, as restated (Continued)

Consolidated balance sheet

	Cement equipment and engineering services RMB'000	Glass fibre RMB'000	Cement RMB'000	High-tech materials RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	7,116,051	4,209,666	4,507,681	1,511,952	(603,038)	16,742,312
Interests in associates	40,200	—	536,784	55,385	—	632,369
Unallocated assets						14,296,914
Total segment assets						31,671,595
Segment liabilities	9,303,210	1,177,454	572,674	422,488	(686,824)	10,789,002
Unallocated liabilities						10,801,364
Total segment liabilities						21,590,366

9.2 Secondary reporting format - geographical segments

The Group's revenue from the following geographical markets, based on the locations of customers:

(a) *Turnover*

Turnover is allocated based on the country in which the customers are located.

	2008 RMB'000	2007 RMB'000 *(Restated)*
The PRC	**16,468,948**	12,900,143
Middle East	**896,767**	4,921,187
Other Asian countries	**1,136,549**	1,548,497
Europe	**1,037,760**	581,060
Africa	**5,356,297**	482,708
Others	**348,498**	300,332
	25,244,819	20,733,927

9. SEGMENT INFORMATION (Continued)

9.2 Secondary reporting format - geographical segments (Continued)

(b) *Total assets*

Total assets are allocated based on where the assets are located.

	2008 RMB'000	2007 RMB'000 *(Restated)*
The PRC	**42,805,600**	28,195,373
Middle East	**1,416,350**	2,068,312
Other Asian countries	**63,354**	465,124
Others	**152,522**	310,417
	44,437,826	31,039,226
Interests in associates	**207,250**	632,369
	44,645,076	31,671,595

(c) *Capital expenditure*

Capital expenditure is allocated based on where the assets are located.

	2008 RMB'000	2007 RMB'000 *(Restated)*
The PRC	**6,507,646**	2,748,090
Middle East	**8,072**	5,715
Others	**9,498**	10,196
	6,525,216	2,764,001

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, office and other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
At 1 January 2007, as restated						
Cost	3,239,087	5,375,742	317,614	216,506	1,015,503	10,164,452
Accumulated depreciation	(384,299)	(971,834)	(92,437)	(103,603)	—	(1,552,173)
Accumulated impairment loss	(37,127)	(43,551)	(1,370)	(2,469)	—	(84,517)
Carrying values	2,817,661	4,360,357	223,807	110,434	1,015,503	8,527,762
Year ended 31 December 2007, as restated						
At 1 January 2007	2,817,661	4,360,357	223,807	110,434	1,015,503	8,527,762
Additions	203,948	545,243	85,748	82,678	1,611,389	2,529,006
Acquired on acquisition of a subsidiary	5,090	3,889	218	71	3,951	13,219
Transfer from investment properties	4,916	—	—	—	—	4,916
Disposals	(18,574)	(9,820)	(14,659)	(2,626)	—	(45,679)
Transfer to investment properties	(79,316)	—	—	—	(3,176)	(82,492)
Reclassification upon completion	469,879	1,132,993	—	—	(1,602,872)	—
Transfer to the SINOMA Group upon completion of the Reorganisation	(20,262)	(296)	(160)	(639)	—	(21,357)
Depreciation charge	(163,452)	(416,254)	(60,720)	(31,610)	—	(672,036)
Impairment loss recognised in the consolidated income statement	(14,540)	(6,414)	(40)	(70)	(280)	(21,344)
At 31 December 2007	3,205,350	5,609,698	234,194	158,238	1,024,515	10,231,995
At 31 December 2007, as restated						
Cost	3,755,783	6,974,882	329,979	269,530	1,024,515	12,354,689
Accumulated depreciation	(509,001)	(1,325,465)	(94,411)	(111,194)	—	(2,040,071)
Accumulated impairment loss	(41,432)	(39,719)	(1,374)	(98)	—	(82,623)
Carrying values	3,205,350	5,609,698	234,194	158,238	1,024,515	10,231,995

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For the year ended 31 December 2008

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, office and other equipment RMB'000	Construction -in-progress RMB'000	Total RMB'000
Year ended 31 December 2008						
At 1 January 2008	3,205,350	5,609,698	234,194	158,238	1,024,515	10,231,995
Additions	361,740	327,260	107,100	163,467	3,530,753	4,490,320
Acquired on acquisition of subsidiaries	449,716	986,532	7,524	16,571	3,558	1,463,901
Disposals	(7,138)	(60,818)	(38,202)	(25,247)	—	(131,405)
Transfer to investment properties	(9,705)	—	—	—	—	(9,705)
Reclassification upon completion	544,775	1,203,460	—	—	(1,748,235)	—
Depreciation charge	(162,245)	(696,717)	(52,575)	(46,836)	—	(958,373)
Impairment loss recongised in the consolidated income statement	—	(6,846)	—	—	—	(6,846)
At 31 December 2008	4,382,493	7,362,569	258,041	266,193	2,810,591	15,079,887
At 31 December 2008						
Cost	4,973,076	9,197,541	349,063	408,148	2,810,591	17,738,419
Accumulated depreciation	(549,151)	(1,788,407)	(89,648)	(141,857)	—	(2,569,063)
Accumulated impairment loss	(41,432)	(46,565)	(1,374)	(98)	—	(89,469)
Carrying values	4,382,493	7,362,569	258,041	266,193	2,810,591	15,079,887

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For the year ended 31 December 2008

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statement as follows:

	2008	2007
	RMB'000	RMB'000
		(Restated)
Cost of sales	**819,821**	604,138
Selling and marketing expenses	**32,172**	13,513
Administrative expenses	**106,380**	54,385
	958,373	672,036

(b) As at 31 December 2008, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB2,766,747,000 (2007: RMB1,997,556,000) (Note 30).

(c) During the year, the directors of the Company conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of RMB6,846,000 (2007: RMB21,344,000) have been recognised, which are used in the glass fibre segment, cement segment and high-tech segment, respectively. The recoverable amounts of the relevant assets have been determined on the basis of their values in use.

(d) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

- Buildings	20-40 years
- Plant and machinery	5-15 years
- Motor vehicles	5-10 years
- Furniture, office and other equipment	5-10 years

(e) At 31 December 2008, the Group has not obtained the formal ownership certificates for certain properties including in the buildings above, the carrying values of which at that date was approximately RMB221,018,000 (2007: RMB91,200,000). In the opinion of the directors, the absence of formal title to these properties does not impair their values to the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

11. PREPAID LEASE PAYMENTS

	2008	2007
	RMB'000	RMB'000
		(Restated)
Cost	**1,841,040**	1,419,030
Accumulated amortisation	**(132,953)**	(90,280)
Carrying values	**1,708,087**	1,328,750
Analysed for reporting purposes as:		
Current asset	**61,391**	48,711
Non-current asset	**1,646,696**	1,280,039
	1,708,087	1,328,750

(a) Prepaid lease payments represent the Group's interests in land which are held on leases between 30 to 50 years, all located in the PRC.

(b) Amortisation of prepaid lease payments has been charged in cost of sales.

(c) As at 31 December 2008, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB214,565,000 (2007: RMB152,623,000) (Note 30).

(d) At 31 December 2008, the Group has not obtained the formal ownership certificates for certain prepaid lease payments above, the carrying values of which at that date was approximately RMB68,721,000 (2007: RMB68,666,000). In the opinion of the directors, the absence of formal title to these prepaid lease payments does not impair their values to the Group as the Group has paid the full purchase consideration of these prepaid lease payments and the probability of being evicted on the ground of an absence of formal title is remote.

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12. INVESTMENT PROPERTIES

	2008 RMB'000	2007 RMB'000 *(Restated)*
At 1 January		
Cost	**106,927**	19,606
Accumulated depreciation	**(7,431)**	(4,138)
Carrying values	**99,496**	15,468
For the year		
At 1 January	**99,496**	15,468
Additions	**2,299**	2,200
Reclassification from property, plant and equipment	**9,705**	82,492
Reclassification from prepaid lease payments	**–**	6,291
Reclassification to property, plant and equipment	**–**	(4,916)
Transfer to the SINOMA Group upon completion of the Reorganisation	**–**	(40)
Depreciation charged for the year	**(9,343)**	(1,999)
At 31 December	**102,157**	99,496
At 31 December		
Cost	**119,299**	106,927
Accumulated depreciation	**(17,142)**	(7,431)
Carrying values	**102,157**	99,496
Fair value at 31 December (Note b)	**268,577**	107,802

12. INVESTMENT PROPERTIES (Continued)

(a) The investment properties are situated on pieces of land which are held under medium term leases of which are located in the PRC.

(b) The fair value of investment properties has been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited (漢華評值有限公司), an independent qualified valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions, except for those located in areas where such information is not available, where discounted cash flow projections are used.

(c) The above investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 30 years.

(d) The following amounts have been recognised in the consolidated income statement:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Rental income recorded as other gains	**13,292**	19,310
Depreciation recorded as administrative expenses	**9,343**	1,999

(e) At 31 December 2008, borrowings are secured by certain investment properties of the Group with an aggregate carrying values of approximately RMB24,668,000 (2007: RMB27,287,000) (Note 30).

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13. INTANGIBLE ASSETS

	Goodwill RMB'000	Patent and proprietary technologies RMB'000	Customer relationships RMB'000	Trademarks RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2007, as restated						
Cost	2,852	42,477	30,927	54,137	13,340	143,733
Accumulated amortisation	—	(22,403)	(9,134)	(346)	(5,220)	(37,103)
Accumulated impairment loss	—	(1,515)	—	—	—	(1,515)
Carrying values	2,852	18,559	21,793	53,791	8,120	105,115
Year ended 31 December 2007, as restated						
At 1 January 2007	2,852	18,559	21,793	53,791	8,120	105,115
Additions	—	4,491	—	—	6,335	10,826
Impairment loss recognised	—	(63)	—	—	—	(63)
Amortisation charged for the year	—	(4,026)	(5,273)	(3,262)	(5,362)	(17,923)
At 31 December 2007	2,852	18,961	16,520	50,529	9,093	97,955
At 31 December 2007, as restated						
Cost	2,852	46,968	30,927	54,137	19,675	154,559
Accumulated amortisation	—	(26,429)	(14,407)	(3,608)	(10,582)	(55,026)
Accumulated impairment loss	—	(1,578)	—	—	—	(1,578)
Carrying values	2,852	18,961	16,520	50,529	9,093	97,955
Year ended 31 December 2008						
At 1 January 2008	**2,852**	**18,961**	**16,520**	**50,529**	**9,093**	**97,955**
Additions	**54,654**	**20,460**	**—**	**—**	**3,400**	**78,514**
Attributable to acquisition of subsidiaries	**—**	**—**	**1,410**	**13,725**	**10,999**	**26,134**
Impairment loss recognised	**(9,068)**	**—**	**—**	**—**	**—**	**(9,068)**
Amortisation charged for the year	**—**	**(8,434)**	**(6,400)**	**(5,233)**	**(11,834)**	**(31,901)**
At 31 December 2008	**48,438**	**30,987**	**11,530**	**59,021**	**11,658**	**161,634**
At 31 December 2008						
Cost	**57,506**	**67,428**	**32,337**	**67,862**	**34,074**	**259,207**
Accumulated amortisation	**—**	**(34,863)**	**(20,807)**	**(8,841)**	**(22,416)**	**(86,927)**
Accumulated impairment loss	**(9,068)**	**(1,578)**	**—**	**—**	**—**	**(10,646)**
Carrying values	**48,438**	**30,987**	**11,530**	**59,021**	**11,658**	**161,634**

13. INTANGIBLE ASSETS (Continued)

(a) Amortisation of intangible assets has been charged in administrative expenses.

(b) Goodwill is allocated to the Group's CGUs identified according to business segment. The carrying values of goodwill as at 31 December 2008 represent the CGU of cement segment and glass fibre segment. The goodwill impairment assessment is based on the recoverable amount of the CGU which is explained in Note 8 above.

(c) The above items of intangible assets are amortised on a straight-line basis at the following rates per annum:

Patent and proprietary technologies	10% to 33.33%
Customer relationships	20% to 33.33%
Trademarks	5% to 10%
Computer software	20% to 33.33%

(d) Patents and proprietary technologies are internally generated and attributable from the business combinations. Computer software were purchased from outsiders and other intangible assets was purchased as part of business combinations.

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14. IMPAIRMENT TESTING ON GOODWILL

As explained in Note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in Note 13 have been allocated to three individual CGUs, including one subsidiary in glass fibre segment, two subsidiaries in cement segment. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2008 allocated to these units are as follows:

	2008	2007
	RMB'000	RMB'000
Glass fibre segment - Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite")	**22,868**	—
Cement segment - Yixing Tianshan Cement Co. Ltd (formerly known as Yixing Henglai Construction Materials Co., Ltd. ("Henglai")	**22,718**	—
Cement segment - Tianshan Cement	**2,852**	2,852
	48,438	2,852

During the year ended 31 December 2008, the Group recognised an impairment loss of RMB9,068,000 (2007: Nil) in relation to goodwill arising on acquisition of Henglai.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Taishan Composite

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Taishan Composite's management covering a 10-year period, and discount rate of 14.83%. Taishan Composite's cash flows beyond the 5-year period are assumed constant with zero growth rate.This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 15% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 25%, such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite to exceed the aggregate recoverable amount of Taishan Composite.

Henglai

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Henglai's management covering a 10-year period, and discount rate of 9.45%. Henglai's cash flows beyond the 5-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 12.94%, such estimation is based on the unit's past performance and management's expectations for the market development. Based on the above assessment, RMB9,068,000 impairment loss has been recognised during the year ended 31 December 2008.

14. IMPAIRMENT TESTING ON GOODWILL (Continued)

Tianshan Cement

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by Tianshan Cement's management covering a 10-year period, and discount rate of 7.97%. Tianshan Cement's cash flows beyond the 5-year period are assumed constant with zero growth rate. This discount rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of 10% for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin of 24.46%, such estimation is based on the unit's past performance and management's expectations for the market development. Management of Tianshan Cement believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshan Cement to exceed the aggregate recoverable amount of Tianshan Cement.

15. MINING RIGHTS

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
At 1 January		
Cost	**51,032**	22,622
Accumulated amortisation	**(4,484)**	(605)
Carrying values	**46,548**	22,017
For the year		
At 1 January	**46,548**	22,017
Additions	**8,591**	28,410
Attributable to acquisition of subsidiaries	**5,475**	—
Amortisation charged for the year	**(4,279)**	(3,879)
At 31 December	**56,335**	46,548
At 31 December		
Cost	**65,098**	51,032
Accumulated amortisation	**(8,763)**	(4,484)
Carrying values	**56,335**	46,548

Mining rights are amortised over its concession period from 3 years to 30 years. Amortisation of mining rights has been charged in cost of sales.

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16. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Cost of investment in associates		
- unlisted equity interests	**8,727**	394,727
Share of post-acquisition profits, net of dividends	**198,523**	237,642
	207,250	632,369

(a) Summarised unaudited financial information in respect of the Group's associates is set out below:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Total assets	**1,293,296**	20,294,262
Total liabilities	**(816,066)**	(15,950,929)
Minority interests	**(120)**	(677,565)
Net assets	**477,110**	3,665,768
Group's share of net assets of associates	**207,250**	632,369
Revenue	**603,198**	7,915,313
Profit for the year	**48,751**	174,646
Group's share of results of associates	**30,987**	49,973

16. INTERESTS IN ASSOCIATES (Continued)

(b) Since December 2005, the Group has a 13.31% equity interests in BBMG Co., Ltd. ("BBMG"), which was classified as available-for-sale financial assets up to 27 March 2007. On 27 March 2007, BBMG increased its total number of directors from 11 to 12 and the Group appointed an additional director to the board of BBMG. Taking into consideration that 3 out of the 12 directors of BBMG are appointed by the Group and the evaluating criteria to determine whether the Group has significant influence over an entity as set out in Note 4, the management considers that the Group has obtained significant influence over BBMG since 27 March 2007. The equity investment in BBMG of RMB350,000,000 has therefore been accounted for as an investment in an associate since that date. Share of results and equity movements relating to the previously held equity interest, amounting to RMB21,692,000, was also recorded as an addition to the investment in BBMG and an increase of shareholders' equity.

In April 2008, BBMG has increased its registered capital which was not in the same proportion as its existing shareholding structure. As a result, the Group's equity interest in BBMG has been diluted. Also, in August 2008, BBMG reduced its total number of directors from 12 to 10 and the Group could only appoint 1 director to the board of BBMG. Taking into consideration that 1 out of the 10 directors of BBMG are appointed by the Group and the evaluating criteria to determine whether the Group has significant influence over an entity as set out in Note 4, the management considers that the Group lost the significant influence over BBMG since August 2008 and therefore BBMG became the available-for-sale financial assets thereafter.

(c) Particulars of the Group's principal associates are set out in Note 51(c).

17. JOINTLY CONTROLLED ENTITIES

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group consolidates its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group's share of assets and liabilities, revenues and results of jointly controlled entities included in the consolidated balance sheet and consolidated income statement are as follows:

	2008	2007
	RMB'000	RMB'000
Assets:		
Non-current assets	**351,278**	281,798
Current assets	**132,743**	197,088
	484,021	478,886
Liabilities:		
Non-current liabilities	**54,562**	85,753
Current liabilities	**129,852**	186,850
	184,414	272,603
Net assets	**299,607**	206,283
Turnover	**259,763**	383,309
Profit for the year	**22,301**	38,024

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17. JOINTLY CONTROLLED ENTITIES (Continued)

During the year, CEMTECH Group Co., Ltd. ("CEMTECH"), a subsidiary of the Company, has entered into agreements with other shareholders of CEMTECK Changshu Heavy Machinery Co., Ltd. and Tianjin Tsubakimoto Conveyor Systems Co., Ltd. (collectively referred to as "Joint Ventures"). Pursuant to the agreements, the other shareholders of the Joint Ventures agreed to waive their control on the board of the Joint Ventures. Taking into consideration the evaluating criteria to determine whether the Group has de facto control over an entity as set out in Note 8 above, the wavier obtained from other shareholders of the Joint Ventures, the management considers that the Group has obtained de facto control over the Joint Ventures on 1 January 2008. The Joint Ventures became subsidiaries of the Group and their results, assets and liabilities of the Joint Ventures were therefore fully consolidated into the Group's consolidated financial statements since that date.

There are no material contingent liabilities and commitments relating to the Group's interests in the jointly controlled entities.

Particulars of the Group's principal jointly controlled entities are set out in Note 51(b).

18. DERIVATIVES FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current		Non-current	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		*(Restated)*
Derivative financial assets				
- Foreign currency forward contracts	**6,455**	—	**—**	—
- Interest rate swap contracts	**—**	—	**15,051**	—
	6,455	—	**15,051**	—
Derivative financial liabilities				
- Foreign currency forward contracts	**3,882**	—	**—**	—
- Interest rate swap contracts	**—**	—	**48,855**	—
	3,882	—	**48,855**	—

18. DERIVATIVES FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2008, major terms of the interest rate swap contracts are as follows:

Notional amount	Maturity	Swaps
RMB250,000,000	16 March 2013	From 6.57% to FR007 + 3.05%
RMB250,000,000	21 March 2013	From FR007[1] + 3.35% to 6.57%
RMB404,300,000	20 December 2012	From 0.45% when US$CMS[2]30-year ≥3.9% and US$ 6-month LIBOR[3]≤7% to US$ CMS30<3.9% and US$ 6-month LIBOR>7%

1 FR007 represented 7-day Fixing Repo Rate announced by National Interbank Loans Centre which was authorised by the People's Bank of China.

2 CMS represented the constant maturity swap.

3 London inter-bank offered rate.

The fair values of the above derivative instruments are calculated in accordance with generally accepted pricing models based on quoted forward exchange rates and discounted cash flow analysis based on the applicable yield curves of interest rates which were provided by counterparty financial institution.

As at 31 December 2008, major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange rates
Sell US$13,000,000	12 February 2009	RMB6.7854: US$1
Sell US$6,000,000	12 May 2009	RMB6.7424: US$1
Sell US$4,000,000	17 August 2009	RMB6.7068: US$1
Buy US$20,000,000	15 April 2009	RMB6.4700: US$1
Sell US$1,470,000	22 January 2009	US$1.4700 : EUR1
Sell US$2,940,000	22 January 2009	US$1.4700 : EUR1
Sell US$1,470,000	20 February 2009	US$1.4700 : EUR1
Sell US$2,940,000	20 February 2009	US$1.4700 : EUR1
Sell US$1,470,000	20 March 2009	US$1.4700 : EUR1
Sell US$2,940,000	20 March 2009	US$1.4700 : EUR1
Sell US$1,470,000	20 April 2009	US$1.4700 : EUR1
Sell US$2,940,000	20 April 2009	US$1.4700 : EUR1
Sell US$1,470,000	20 May 2009	US$1.4700 : EUR1
Sell US$2,940,000	20 May 2009	US$1.4700 : EUR1

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008	2007
	RMB'000	RMB'000
		(Restated)
Listed equity securities, at fair value		
- PRC	**4,516**	301
- Hong Kong	**—**	405
	4,516	706
Unlisted equity securities, at cost	**499,047**	58,661
	503,563	59,367

(a) The above unlisted equity investments are measured at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. As at 31 December 2008, the directors of the Company were of the opinion that the impairment on the available-for-sale financial assets of RMB4,710,000 (2007: RMB900,000) is recognised.

(b) All available-for-sale financial assets are denominated in RMB.

(c) In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB12,192,000, which had been carried at cost less impairment before the disposal. No gain or loss has been resulted from the disposal for the year ended 31 December 2008.

20. DEPOSIT PAID FOR ACQUISTION OF A SUBSIDIARY

(a) Balance as at 31 December 2008 of RMB300,000,000 represents the deposit paid by Sinoma Cement to acquire the 100% equity interests in Anhui Yingpu Jinlong Cement Co., Ltd. ("Anhui Yingpu"). In February 2008, Sinoma Cement entered into a framework agreement to acquire the 100% equity interests in Anhui Yingpu and RMB300,000,000 has been prepaid as part of the purchase consideration, which is secured by the 100% equity interest in Anhui Yingpu. The acquisition has not yet completed as of the date of the approval of these consolidated financial statements.

(b) Balance as at 31 December 2007 of RMB100,000,000 represented the deposit paid to an independent third party to acquire 100% equity interests in Taishan Composite. In March 2008, the Group completed the acquisition at a cash consideration of approximately RMB174,814,000 (Note 46(a)(i)).

21. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Trade receivables and retentions		
Trade receivables	**2,603,049**	2,614,475
Retentions	**131,319**	232,286
	2,734,368	2,846,761
Less: impairment loss recognised	**(425,945)**	(357,553)
Trade receivables and retentions, net	**2,308,423**	2,489,208
Loans, prepayments, deposits, staff advances and other receivables		
Loan receivables	**58,378**	23,999
Prepayments to suppliers and subcontractors	**3,863,218**	2,293,858
Staff advances	**89,294**	97,997
Deposits	**238,033**	28,767
Other receivables	**350,286**	575,879
	4,599,209	3,020,500
Less: impairment loss recognised	**(132,229)**	(83,987)
Loans, prepayments, deposits, staff advances and other receivables, net	**4,466,980**	2,936,513
Total trade and other receivables	**6,775,403**	5,425,721
Less: Non-current portion		
Retentions	**68,450**	102,832
Current portion	**6,706,953**	5,322,889

Refer to Note 50(b) for details of receivables due from related parties.

Notes to the Consolidated Financial Statements

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21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of the Group's trade receivables and retentions are as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Less than 6 months	**1,711,448**	1,647,449
6 months to 1 year	**314,981**	498,902
1 year to 2 years	**264,799**	261,812
2 years to 3 years	**145,509**	170,827
Over 3 years	**297,631**	267,771
	2,734,368	2,846,761

Settlement of trade receivables and retentions generated through engineering and construction services is made in accordance with the terms specified in the contracts governing the relevant transactions, among which retentions are generally settled within one to two years after completion of corresponding services. For sales of goods, a credit period ranging from 30 to 180 days may be granted to large or long-established customers with good repayment history.

(b) As at 31 December 2008, RMB1,204,048,000 of the Group's trade and other receivables (2007: RMB1,797,654,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Less than 6 months	**865,635**	1,182,376
6 months to 1 year	**203,525**	445,884
1 year to 2 years	**50,587**	82,732
2 years to 3 years	**41,115**	36,539
Over 3 years	**43,186**	50,123
	1,204,048	1,797,654

Receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 RMB'000	2007 RMB'000 *(Restated)*
RMB	**6,023,663**	5,025,908
US$	**451,206**	139,389
HK$	**7,534**	54,276
EUR	**105,823**	114,685
Others	**187,177**	91,463
	6,775,403	5,425,721

21. TRADE AND OTHER RECEIVABLES (Continued)

(d) Movement on the impairment loss of trade receivables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
At 1 January	**357,553**	293,677
Impairment losses recognised	**89,998**	83,723
Receivables written off as uncollectible	**(21,606)**	(19,847)
At 31 December	**425,945**	357,553

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB425,945,000 (2007: RMB357,553,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to customers that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 8. It was assessed that a portion of the receivables is expected to be recovered.

(e) Movement on the impairment loss of other receivables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
At 1 January	**67,921**	54,876
Impairment losses recognised	**43,765**	13,045
At 31 December	**111,686**	67,921

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB111,686,000 (2007: RMB67,921,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 8. It was assessed that a portion of the receivables is expected to be recovered.

(f) Movement on the impairment loss of loan receivables is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
At 1 January	**16,066**	20,150
Impairment losses recognised	**4,477**	—
Reversal of impairment loss recognised in previous years	**—**	(4,084)
At 31 December	**20,543**	16,066

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB20,543,000 (2007: RMB16,066,000) which the Group does not hold any collateral over these balances. The individually impaired receivables mainly related to debtors that are in unexpected difficult economic situations or of poor credit history. The factors considered by management in determining the impairment are described in Note 8. It was assessed that a portion of the receivables is expected to be recovered.

(g) The loan receivables from are unsecured, interest bearing at 7.47% (2007: 7.56%) and are repayable on demand.

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22. INVENTORIES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Raw materials	**1,216,437**	1,318,629
Work-in-progress	**1,742,725**	904,954
Finished goods	**1,055,570**	354,158
	4,014,732	2,577,741

During the year ended 31 December 2008, reversal of allowance of inventories of approximately RMB1,317,000 (2007: RMB4,797,000) has been recognised as the corresponding inventories were either sold or used.

23. CONTRACT WORK-IN-PROGRESS

	2008 RMB'000	2007 RMB'000
Contract cost incurred plus recognised profit less recognised losses	**17,984,987**	18,800,869
Less: Progress billings	**(18,059,409)**	(18,647,326)
Contract work-in-progress	**(74,422)**	153,543
Analysed for reporting purposes as:		
Amounts due from customers	**430,699**	357,930
Amounts due to customers	**(505,121)**	(204,387)
	(74,422)	153,543
Contract revenue recognised as turnover	**7,727,372**	9,621,692

Included in the trade and other payables are advances received from customers for contract works of approximately RMB10,509,000,000 (2007: RMB5,362,000,000).

When it is probable that total contract costs exceed total contract revenue, the foreseeable loss is recognised as an expense immediately.

During the year ended 31 December 2008, foreseeable loss on construction contracts of approximately RMB905,000 (2007: RMB1,818,000) has been recognised in the consolidation income statement.

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24. RESTRICTED CASH

	2008 RMB'000	2007 RMB'000 (Restated)
Restricted cash denominated in the following currencies:		
- RMB	**4,533,038**	1,434,598
- US$	**50,907**	21,473
- EUR	**10,579**	21,999
- Others	**—**	49
	4,594,524	1,478,119

Restricted cash is held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB1,155,000,000 (2007: RMB815,081,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2008, the fixed interest rate on restricted cash, with maturities ranging from 6 months to 1 year, were 0.36% to 3.78% (2007: 0.72% to 4.14%) per annum.

25. BANK BALANCES AND CASH

	2008 RMB'000	2007 RMB'000 (Restated)
Cash at bank and in hand	**6,905,370**	6,070,989
Bank deposits		
- Term deposits	**2,485,580**	378,083
- Other bank deposits	**861,436**	2,331,060
	3,347,016	2,709,143
Cash and cash equivalents	**10,252,386**	8,780,132
Denominated in:		
- RMB	**9,393,706**	4,881,736
- US$	**543,810**	285,148
- HK$	**2,429**	3,231,433
- EUR	**202,145**	279,969
- Others	**110,296**	101,846
	10,252,386	8,780,132

(a) As at 31 December 2008, the fixed interest rate on term deposits were 1.71% to 3.87% (2007: 2.88% to 3.87%) per annum.

As at 31 December 2008, the fixed interest rate on other bank deposits were 0.01% to 0.36% (2007: 2.88% to 3.33%) per annum.

(b) Cash at bank denominated in RMB are deposited with banks in the PRC at the prevailing market rate. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Consolidated Financial Statements

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26. SHARE CAPITAL

	Domestic shares		H shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:						
Establishment on 31 July 2007	2,500,000	2,500,000	–	–	2,500,000	2,500,000
Domestic shares converted into H shares (Note b)	(80,595)	(80,595)	80,595	80,595	–	–
Issue of new shares upon listing (Note b)	–	–	931,708	931,708	931,708	931,708
At 31 December 2007 and 1 January 2008	2,419,405	2,419,405	1,012,303	1,012,303	3,431,708	3,431,708
Issue of new shares through the exercise of over-allocation option (Note c)	–	–	139,756	139,756	139,756	139,756
Domestic shares converted into H shares (Note d)	(12,089)	(12,089)	12,089	12,089	–	–
At 31 December 2008	2,407,316	2,407,316	1,164,148	1,164,148	3,571,464	3,571,464

(a) The Company was incorporated on 31 July 2007, with an initial registered share capital of RMB2,500,000,000 divided into 2,500,000,000 shares ("Domestic Shares") with a nominal value of RMB1.00 each. These shares were issued to SINOMA and the State-owned Promoters pursuant to the Reorganisation as well as to the Other Promoters for a cash consideration.

(b) In December 2007, the Company issued 931,708,000 H shares of RMB1.00 each at HK$4.5 (equivalent to RMB4.25) per share pursuant to the initial public offering and listing of the Company's H shares on the Stock Exchange, and raised proceeds of RMB3,675,851,000. The disbursement of incremental costs directly attributable to issuance of shares upon listing was approximately RMB283,908,000, of which RMB69,498,000 (2007: RMB192,991,000) has been settled during the year ended 31 December 2008.

Pursuant to the "Provisional Measures Concerning the Sale of State-owned Shares to Finance Social Welfare Funds" issued by the State Council and "The Circular of Relevant Problems of Decreasing State-owned Shares held by Financial Assets Management Company and State-owned Bank" issued by the Ministry of Finance People's Republic of China, upon the completion of the H share listing, 80,595,000 Domestic Shares were converted into H shares and transferred to the National Social Security Fund of the PRC.

The Domestic Shares rank pari passu, in all material respects, with the H shares. However, under the PRC Company Law, Domestic Shares cannot be transferred within one year from 20 December 2007, the listing date of the Company's shares on the Stock Exchange.

(c) In January 2008, the Company issued and allotted 139,756,000 H shares at HK$4.50 (equivalent to RMB4.19) per share with the full exercise of over-allocation option by the joint global coordinators on behalf of the international underwriters for the Company's initial public offering in December 2007. Net proceeds of RMB564,963,000 were raised. The shares issued expenses amounting to RMB20,555,000 had been deducted from the share premium account. The new shares rank pari passu with the existing shares in all respects.

(d) Pursuant to the "Provisional Measures Concerning the Sale of State-owned Shares to Finance Social Welfare Funds" issued by the State Council and "The Circular of Relevant Problems of Decreasing State-owned Shares held by Financial Assets Management Company and State-owned Bank" issued by the Ministry of Finance People's Republic of China, upon the completion of the exercise of over-allocation option, 12,089,218 Domestic shares were converted into H shares and transferred to the National Social Security Fund of the PRC.

27. RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000
At 1 January 2007, as originally stated	–	(359,828)	–	–	–	–	–	(359,828)
Effect of adopting merger acquisition for common control combinations	–	67,042	–	–	–	–	–	67,042
At 1 January 2007, as restated	–	(292,786)	–	–	–	–	–	(292,786)
Exchange differences arising on translation of the financial statements of subsidiaries and jointly controlled entities recognised directly in equity	–	1,497	–	1,571	–	–	–	3,068
Profit for the year and total recognised income for the year, as restated	–	199,433	–	–	–	–	287,209	486,642
Special Distribution	–	(482,701)	–	–	–	–	–	(482,701)
Transactions with minority interests	–	1,348	–	–	–	(6,764)	–	(5,416)
Acquisition of an associate achieved in stages	–	21,692	–	–	–	–	–	21,692
Transfer of certain assets and liabilities to the SINOMA Group upon completion of the Reorganisation	–	44,401	–	–	–	–	–	44,401
Deferred tax assets arising from assets revaluation surplus during the Reorganisation	–	6,040	–	–	–	–	–	6,040
Cash contributions from the Other Promoters	103,810	–	–	–	–	–	–	103,810
Deemed contribution from SINOMA	–	–	–	–	–	98,700	–	98,700
Issuance of new shares upon listing	2,744,143	–	–	–	–	–	–	2,744,143
Special Dividend	–	–	–	–	–	–	(89,932)	(89,932)
Merger reserve arising on common control combinations	–	37,392	–	–	–	–	–	37,392
Appropriation	–	–	13,607	–	–	–	(13,607)	–
At 31 December 2007, as restated	2,847,953	(463,684)	13,607	1,571	–	91,936	183,670	2,675,053

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27. RESERVES (Continued)

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000
At 1 January 2008, as restated	2,847,953	(463,684)	13,607	1,571	–	91,936	183,670	2,675,053
Exchange differences arising on translation of the financial statements of subsidiaries and jointly controlled entities	–	–	–	(4,074)	–	–	–	(4,074)
Gain on fair value changes of available-for-sale financial assets	–	–	–	–	4,027	–	–	4,027
Deferred tax liabilities arising from the change in fair value of available-for-sale financial assets	–	–	–	–	(586)	–	–	(586)
Net (expense) income recognised directly in equity	–	–	–	(4,074)	3,441	–	–	(633)
Profit for the year and total recognised income for the year	–	–	–	–	–	–	564,556	564,556
Transactions with minority interests	–	–	–	–	–	37,132	–	37,132
Issuance of new shares through the exercise of over-allocation option	445,762	–	–	–	–	–	–	445,762
Shares issued expenses on over-allocation option	(20,555)	–	–	–	–	–	–	(20,555)
Merger reserves arising from common control combination	–	(479,149)	–	–	–	–	–	(479,149)
Appropriation	–	–	16,590	–	–	–	(16,590)	–
At 31 December 2008	3,273,160	(942,833)	30,197	(2,503)	3,441	129,068	731,636	3,222,166

Note: Other reserves mainly comprise of reserves arising from transactions with minority interests and deemed contributions from shareholders.

28. DEFERRED INCOME

	Government grants relating to research and development expenditure RMB'000	Government grants relating to property, plant and equipment RMB'000	Government grants relating to prepaid lease payments RMB'000	Total RMB'000
At 1 January 2007, as restated	67,848	138,611	49,775	256,234
Additions	48,163	50,098	15,807	114,068
Utilised/amortised during the year	(35,239)	(19,566)	(1,722)	(56,527)
At 31 December 2007, as restated	80,772	169,143	63,860	313,775
Additions	28,213	110,544	—	138,757
Attributable to acquisition of subsidiaries	—	2,772	—	2,772
Utilised/amortised during the year	(34,923)	(79,464)	(1,837)	(116,224)
At 31 December 2008	**74,062**	**202,995**	**62,023**	**339,080**

29. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000 *(Restated)*
Trade payables	**5,823,198**	4,639,779
Deposits, advances, accruals and other payables		
Prepayment from customers	**10,721,134**	5,866,281
Accrued payroll and welfare	**142,936**	259,074
Accrued social security costs	**185,035**	74,918
Other taxes	**1,323**	133,576
Accrued expenses	**109,353**	64,652
Deposits payable	**214,860**	51,897
Dividends payable to minority interests by subsidiaries	**99,014**	21,114
Other payables	**925,241**	686,602
	12,398,896	7,158,114
Total trade and other payables	**18,222,094**	11,797,893
Less: Non-current portion:		
- Trade payables	**4,135**	4,109
- Accrued payroll and welfare	**620**	9,360
	4,755	13,469
Current portion	**18,217,339**	11,784,424

Refer to Note 50(b) for details of payables due to related parties.

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29. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis of trade payables are as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Within 6 months	**3,552,194**	2,761,265
6 months to 1 year	**1,138,288**	1,309,574
1 year to 2 years	**702,949**	357,879
2 years to 3 years	**321,707**	117,246
Over 3 years	**108,060**	93,815
	5,823,198	4,639,779

(b) The carrying amounts of trade and other payables are denominated in the following currencies:

	2008 RMB'000	2007 RMB'000 *(Restated)*
RMB	**17,755,984**	9,861,117
US$	**171,744**	1,717,551
EUR	**1,942**	107,605
Others	**292,424**	111,620
	18,222,094	11,797,893

(c) Non-current portion of accrued payroll and welfare represents the portion of accrued employee housing allowances, payable to employees over their years of service to the Group, expected to be settled over one year from the balance sheet date.

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30. BORROWINGS

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Non-current		
Long-term bank borrowings		
- Secured (Note a)	**4,476,131**	3,901,422
- Unsecured	**454,000**	25,305
	4,930,131	3,926,727
Other borrowings		
- Unsecured	**–**	4,800
Total non-current borrowings	**4,930,131**	3,931,527
Current		
Current portion of long-term bank borrowings		
- Secured (Note a)	**591,291**	488,138
- Unsecured	**10,000**	1,970
	601,291	490,108
Other borrowings		
- Secured (Note a)	**–**	8,200
Short-term bank borrowings		
- Secured (Note a)	**5,437,970**	1,912,808
- Unsecured	**1,815,009**	1,713,265
	7,252,979	3,626,073
Total current borrowings	**7,854,270**	4,124,381
Total borrowings	**12,784,401**	8,055,908

Notes:

(a) Secured borrowings of the Group were secured by the Group's property, plant and equipment (Note 10), prepaid lease payments (Note 11), investment properties (Note 12) and guarantees provided by certain related parties and other third parties who were provided guarantees by the Group.

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30. BORROWINGS (Continued)

(b) The exposure of borrowings to interest rate changes is as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Fixed-rate borrowings	**5,362,030**	3,005,253
Variable-rate borrowings	**7,422,371**	5,050,655
	12,784,401	8,055,908

(c) The maturities of total borrowings are set out as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Within 1 year	**7,854,270**	4,124,381
1 year to 2 years	**1,106,741**	852,026
2 years to 5 years	**3,285,217**	1,955,332
Wholly repayable within 5 years	**12,246,228**	6,931,739
Over 5 years	**538,173**	1,124,169
	12,784,401	8,055,908

(d) The carrying amounts of borrowings are denominated in the following currencies:

	2008 RMB'000	2007 RMB'000 *(Restated)*
RMB	**9,941,280**	7,734,438
US$	**2,843,121**	321,470
	12,784,401	8,055,908

(e) The weighted effective interest rates (per annum) at the respective balance sheet dates are as follows:

	2008 RMB'000	2007 RMB'000
Bank borrowings		
- RMB	**6.28%**	6.68%
- US$	**4.05%**	5.57%
Other borrowings		
- RMB	**–**	2.14%

30. BORROWINGS (Continued)

(f) The undrawn borrowing facilities are as follows:

	2008 RMB'000	2007 RMB'000
Floating rate		
- Expiring within 1 year	**6,749,842**	1,269,000
- Expiring beyond 1 year	**41,948**	56,256
Fixed rate		
- Expiring within 1 year	**30,180**	629,058
- Expiring beyond 1 year	**—**	122,500
	6,821,970	2,076,814

(g) The Group's borrowings as at 31 December 2008 included borrowings of approximately RMB158,052,000 (2007: RMB181,811,000) of Sinoma Hanjiang Cement Co., Ltd. ("Sinoma Hanjiang", a subsidiary of the Group) which have been restructured pursuant to debt restructuring agreements entered into among two banks, Sinoma Cement and Sinoma Hanjiang, effective on 27 November 2007 and 30 November 2007, respectively.

Pursuant to an agreement, the principal amount of RMB140,764,000, including an overdue principal amount of RMB136,240,000 becomes repayable within 5 years from 1 January 2008 to 31 December 2012. Pursuant to the other agreement, the principal amount of RMB72,857,000, including an overdue principal amount of RMB13,201,000, becomes repayable within 4 years from 1 January 2008 to 31 December 2011. The overdue interest payable amount on the underlying borrowings covered by these two debt restructuring agreements will be waived on the condition that the Group repays the principal and interest in accordance with the revised repayment schedules. The directors of the Company believe that the Group has the ability to fulfill such condition and a debt restructuring gain, representing the excess of the book carrying value of the principals and the overdue interest payables of aforementioned borrowings at the date of the debt restructuring and the fair value of the finally agreed obligations, totalling RMB56,524,000, was recorded as other gains in the Group's consolidated income statement for the year ended 31 December 2007.

(h) The Group's borrowings as at 31 December 2008 included borrowings of approximately RMB2,039,214,000 (2007: RMB2,131,641,000) of Tianshan Cement and its subsidiaries which have been restructured pursuant to a debt restructuring agreement entered into among twelve banks, CNNMC and Tianshan Cement and its subsidiaries, effective on 1 December 2005.

Under the debt restructuring agreement, the above borrowings are repayable within 11 years from 1 December 2005. Certain restrictions were imposed on Tianshan Cement and its subsidiaries with regard to their use of operating cash flows for the purposes of loan principal and interest payments and repayments, capital expenditure and dividend payments. In addition, CNNMC has committed to remain as the largest shareholder of Tianshan Cement throughout the loan repayment period, injecting certain cement manufacturing plants to Tianshan Cement, providing working capital to Tianshan Cement of not less than RMB150,000,000 when necessary and providing technical support to Tianshan Cement to enhance its operational effectiveness and efficiency. Such commitments have been assumed by the Company upon completion of the Reorganisation.

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31. DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during the year are as follows:

(a) Deferred income tax assets

	Provision for impairment of assets RMB'000	Assets revaluation surplus during the Reorganisation RMB'000	Tax losses RMB'000	Deferred income arising from government grants RMB'000	Unrealised profit on inter-company transactions RMB'000	Provision for early retirement and supplemental benefit obligations RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007, as restated	78,244	–	20,732	16,137	18,309	23,269	14,587	171,278
Credited (charged) to the consolidated income statement	20,446	(120)	(20,732)	(520)	(664)	8,883	(4,116)	3,177
Attributable to disposal of subsidiaries	(223)	–	–	–	–	–	–	(223)
Credited to equity (c)	–	6,040	–	–	–	–	–	6,040
At 31 December 2007, as restated	98,467	5,920	–	15,617	17,645	32,152	10,471	180,272
Credited (charged) to the consolidated income statement	**41,199**	**(324)**	**–**	**(4,730)**	**3,267**	**(4,501)**	**17,405**	**52,316**
Attributable to acquisition of a subsidiary	**1,243**	**–**	**–**	**–**	**–**	**–**	**–**	**1,243**
At 31 December 2008	**140,909**	**5,596**	**–**	**10,887**	**20,912**	**27,651**	**27,876**	**233,831**

(b) Deferred income tax liabilities

The deferred income tax liabilities of the Group mainly arise from taxable temporary differences when the fair values of property, plant and equipment, prepaid lease paymentss, intangible assets and mining rights exceed the corresponding carrying values arising from revaluation surplus in business combinations, or reassessment in debt restructurings and no equivalent adjustments are made for tax purposes.

	Assets revaluation surplus in business combinations RMB'000	Borrowings reassessed in debt restructurings RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2007, as restated	154,726	–	–	154,726
(Credited) charged to the consolidated income statement	(7,816)	11,043	–	3,227
At 31 December 2007, as restated	146,910	11,043	–	157,953
Debited to equity	**–**	**–**	**586**	**586**
Attributable to acquisition of a subsidiary	**32,667**	**–**	**–**	**32,667**
(Credited) charged to the consolidated income statement	**(34,391)**	**(1,683)**	**–**	**(36,074)**
At 31 December 2008	**145,186**	**9,360**	**586**	**155,132**

31. DEFERRED INCOME TAX (Continued)

(c) As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Group's assets and liabilities as at 30 June 2006 were revalued by an independent and qualified valuer in the PRC. The Group has applied to the Ministry of Finance and the State Administration of Taxation of the PRC to obtain formal approval for deduction of the additional depreciation and amortisation on the asset revaluation surplus for the PRC income tax purposes. Such asset revaluation surplus is not recognised in the consolidated financial statement prepared in accordance with HKFRS. Accordingly, a deferred tax asset of RMB6,040,000 relating to the revaluation surplus, resulted and is credited to equity. Such deferred tax asset would be charged to income tax expense during each year based on the depreciation and amortisation charges on the asset revaluation surplus.

(d) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As a result of the new CIT Law, the carrying value of deferred income tax assets and deferred income tax liabilities have been reduced by RMB16,743,000 and RMB21,193,000 respectively as at 31 December 2007, respectively.

Some subsidiaries of the Group, which have been granted the status of technologically-advanced enterprise, are subject to enterprise income tax at a preferential rate of 15% before 1 January 2008. Pursuant to the new CIT Law, enterprises that have applied and been granted High/New Technology status ("HNTE") will be able to enjoy a reduced tax rate of 15%. However, as of 31 December 2007, the detailed implementation rules relating to obtaining the HNTE status had not been published. Consequently, when recognising deferred taxes as at 31 December 2007, the Group applied a tax rate of 25% on temporary differences of these subsidiaries. The directors of the Company are of the view that some of these subsidiaries will be granted HNTE status and will apply for the status as soon as the criteria and process become clear. If these subsidiaries had been granted HNTE status as at 31 December 2007, deferred taxes would have been recognised at a rate of 15% and deferred tax assets would have been decreased by approximately RMB5,787,000.

(e) As at 31 December 2007, the Group had deductible temporary differences of approximately RMB209,016,000 where, in the opinion of the directors, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses and other deductible temporary differences. The balances have been fully utilised during the year ended 31 December 2008.

(f) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2008, the Group did not recognise deferred tax assets of approximately RMB132,336,000 (2007: RMB120,561,000) in respect of tax losses amounting to approximately RMB529,344,000 (2007: RMB482,244,000), as management believes it is more likely than not that such tax losses would not be realised before they expire. The expiry of the unrecognised deferred income tax assets relating to tax losses are analysed as follows:

	2008	2007
	RMB'000	RMB'000
		(Restated)
Within 1 year	**–**	1,910
Between 1 to 2 years	**4,108**	7,945
Between 2 to 3 years	**7,278**	10,143
Between 3 to 4 years	**93,285**	7,278
Between 4 to 5 years	**27,665**	93,285
	132,336	120,561

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32. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

The Group paid supplementary pension subsidies or pension contributions to its retired employees in the PRC who retired prior to 31 December 2006. In addition, the Group is committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 31 December 2006. The Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in China who leave the Group after 31 December 2006.

The amounts of early retirement and supplemental benefit obligations recognised in the balance sheets are determined as follows:

The movements of early retirement and supplemental benefit obligations are as follows:

	2008	2007
	RMB'000	RMB'000
		(Restated)
Total liability in the consolidated balance sheet	**163,681**	188,870
Less: Current portion	**(21,108)**	(21,100)
	142,573	167,770

The movements of early retirement and supplemental benefit obligations are as follows:

	2008	2007
	RMB'000	RMB'000
		(Restated)
At 1 January	**188,870**	249,865
For the year		
- Interest cost (Note 38)	**8,021**	6,797
- Actuarial (gain) losses (Note 38)	**(12,102)**	12,084
- Transfer to the SINOMA Group upon completion of the Reorganisation	**–**	(57,282)
- Payments	**(21,108)**	(22,594)
At 31 December	**163,681**	188,870

The above obligations were determined based on actuarial valuations performed by an independent and qualified actuarial firm, Mercer Consulting (Shanghai) Limited, using the projected unit credit method. The material actuarial assumptions used in valuing these obligations are as follows:

(a) Discount rates adopted (per annum):

	2008	2007
	RMB'000	RMB'000
Discount rate	**3.6%**	4.5%

The effect of above changes in discount rates was reflected as actuarial gains and losses and charged to the consolidated income statement in the period of change;

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For the year ended 31 December 2008

32. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

(b) Early-retirees' salary and retirees' supplemental pension subsidies increase rate: 5% (2007: 0%;)

(c) Early-retirees' and retirees' (where applicable) pension contributions increase rate: 0% or 10% (2007: 0% or 10%), depending on whether the pension contributions are subject to the change of the minimum social security contribution stipulated by the government;

(d) Medical cost trend rate: 6% (2007: 10%);

(e) Mortality: Average life expectancy of residents in the PRC; and

(f) Medical costs paid to certain early-retirees' and retirees' are assumed to continue until the death of the retirees.

33. PROVISIONS

	Provision for litigation RMB'000 (Note)	**Others** RMB'000	**Total** RMB'000
At 1 January 2007, as restated	123,700	980	124,680
Reversed during the year (Note 52(c)(i))	(98,700)	—	(98,700)
Utilised during the year	—	(749)	(749)
At 31 December 2007, as restated	25,000	231	25,231
Additional provisions	**10,847**	**—**	**10,847**
Utilised during the year	**—**	**(231)**	**(231)**
At 31 December 2008	**35,847**	**—**	**35,847**

Note: Provisions for litigation are made based on management's best estimates and judgments, as described in Note 8 above. Following the insolvency of a company in which the Group granted financial guarantees in previous years, additional provision has been made during the year in respect of the default payment, the penalty interest and the corresponding litigation cost.

34. TURNOVER

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Turnover comprise:		
– Cement equipment and engineering services	**15,273,147**	13,049,125
– Glass fibre	**2,275,601**	1,740,429
– Cement	**6,250,604**	4,802,792
– High-tech materials	**1,445,467**	1,141,581
Total	**25,244,819**	20,733,927

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35. OTHER GAINS

	2008 RMB'000	2007 RMB'000 (Restated)
Dividend income on available-for-sale financial assets (Note a)	**8,386**	15,579
Other service income	**7,179**	7,033
Income from sales of scrap materials	**17,847**	6,262
Gain on deemed disposal of an associate	**8,576**	—
Gain on disposals of subsidiaries	**—**	12,582
Gain on disposals of associates	**—**	3,034
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 46)	**—**	326
Net gain on disposals of property, plant and equipment	**—**	2,919
Gain on disposals of prepaid lease payments	**28,561**	8,114
Change in fair values of the derivative financial instruments – foreign currency forward contracts	**2,573**	—
Insurance compensations	**2,232**	—
Penalty income (Note b)	**18,805**	5,099
Rental income	**13,292**	19,310
Waiver of other payables	**17,645**	12,926
Value-added tax refunds (Note c)	**282,439**	126,203
Debt restructuring gain (Note 30(g))	**—**	56,524
Government grants		
– utilisation/amortisation of deferred income for the year (Note 28)	**116,224**	56,527
– grants related to expenses recognised as other gains (Note d)	**29,168**	53,148
Others	**46,688**	3,516
	599,615	389,102

Notes:

(a) All the dividend income from available-for-sale financial assets for the two years ended 31 December 2008 and 31 December 2007 are from unlisted equity investments.

(b) The penalty income mainly represented the compensation income received from the subcontractors or constructors in related to the delay of the contract works or construction of property, plant and equipment.

(c) The balances represent refunds of value-added tax paid by certain subsidiaries since these subsidiaries produce certain specific cement products.

(d) Government grants are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development.

36. OTHER EXPENSES

	2008	2007
	RMB'000	RMB'000
		(Restated)
Net loss arising from early termination of contract works (Note a)	**66,883**	—
Net loss on disposals of property, plant and equipment	**24,588**	—
Compensation paid to the customer for delay of the construction work (Note b)	**102,845**	12,000
Penalty	**17,338**	4,012
Donations	**23,429**	3,826
Change in fair values of the derivative financial instruments		
– interest rate swap contracts	**33,804**	—
Others	**8,273**	10,102
	277,160	29,940

Notes:

(a) The balance represented the net loss arising from the early termination of contract works of Sinoma International. In December 2008, Sinoma International entered into contracts of amendment of the four engineering, procurement and construction contracts ("Four EPC Contracts") with one of its customers in Nigeria, Dangote Industries Limited ("Dangote Group"). Pursuant to the contracts of amendment, certain contracts included in the Four EPC Contracts have been suspended and Dangote Group has agreed to indemnify the costs incurred with respect to the suspended projects under the Four EPC Contracts and the amount indemnified is US$65,000,000.

(b) The balance represented the compensation paid by Sinoma International to Sandi-based Southern Province Cement Company in relation to the delay of the construction work. Details of which were set out in the Company's announcement dated 12 November 2008.

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37. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging (crediting):

	2008 RMB'000	2007 RMB'000 *(Restated)*
Cost of inventories recognised as expenses	**11,611,012**	10,984,245
Auditors' remuneration	**10,150**	22,630
Employee benefit expense (Note 38)	**2,178,175**	1,616,175
Depreciation and amortisation		
– property, plant and equipment	**958,373**	672,036
– investment properties	**9,343**	1,999
– intangible assets	**31,901**	17,923
– prepaid lease payments	**44,727**	33,296
– mining rights	**4,279**	3,879
Operating lease rentals	**183,756**	354,209
Share of income tax expense:		
– associates	**4,979**	28,573
– jointly controlled entities	**3,381**	5,589
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	**89,998**	83,723
Impairment loss recognised in respect of other receivables (included in administrative expenses)	**43,765**	13,045
Impairment loss recognised (reversed) in respect of loan receivables (included in administrative expenses/other gains)	**4,477**	(4,084)
Research and development costs	**127,032**	44,011
Foreseeable losses on construction contracts	**905**	1,818
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**6,846**	21,344
Impairment loss recognised in respect of intangible assets (included in administrative expenses)	**9,068**	63
Allowance for inventories (included in cost of sales)	**83,386**	4,515
Reversal of allowance for inventories (included in cost of sales)	**(1,317)**	(4,797)
Impairment loss recognised in respect of available-for-sale financial assets (included in administrative expenses)	**4,710**	900

38. EMPLOYEE BENEFITS

	2008	2007
	RMB'000	RMB'000
		(Restated)
Salaries, wages and bonuses	**1,725,556**	1,248,414
Contributions to pension plans (Note a)	**157,600**	119,614
Early retirement and supplemental pension benefits (Note 32 and Note b)	**(4,081)**	16,016
Housing benefits (Note c)	**70,190**	54,127
Welfare, medical and other expenses	**228,910**	178,004
	2,178,175	1,616,175

Notes:

(a) During the two years ended 31 December 2008, the employees of the Company and the subsidiaries in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial governments in the PRC to which the Group is required to make monthly contributions at rates ranging from 18% to 22%, depending on the applicable local regulations, of the employees' basic salary for the previous year.

(b) Certain employees of the Group were directed to early retire in previous years. Early retirement benefits are recognised in the consolidated income statement in the period in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies or pension contributions to certain employees who retired prior to 31 December 2006. The costs of providing these pension subsidies and pension contributions are charged to the consolidated income statement so as to spread the service costs over the average service lives of the retirees. Employees who retire after 31 December 2006 are not entitled to such supplementary pension subsidies or pension contributions.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 6% to 12% of the employees basic salary of the previous year) in the PRC for both years.

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39. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
		(Restated)
Interest expenses		
– Bank borrowings wholly repayable within 5 years	**604,923**	372,526
– Bank borrowings not wholly repayable within 5 years	**13,980**	85,972
– Other borrowings	**28,535**	9,888
	647,438	468,386
Less: Amounts capitalised as construction-in-progress (Note)	**(65,233)**	(33,559)
	582,205	434,827
Net foreign exchange gains on bank borrowings (Note 41)	**(24,766)**	(26,699)
Discount charges on bank acceptance notes	**35,688**	20,215
Total finance costs	**593,127**	428,343

Note: Interest expenses were capitalised as construction in progress at the weighted average rate of 6.42% per annum for the year ended 31 December 2008 (2007: 6.74%).

40. INTEREST INCOME

	2008	2007
	RMB'000	RMB'000
		(Restated)
Interest income on bank deposits	**195,254**	59,532
Interest income on deposits relating to share subscription proceeds from the initial public offering of the Company (Note)	**–**	26,066
Interest income on loans to related parties and third parties	**1,368**	2,515
Total interest income	**196,622**	88,113

Note: In accordance with the share subscription agreement relating to its initial public offering, the Group was entitled to the interest income earned from bank deposits relating to the share subscription proceeds, including over subscription, during the subscription period.

41. EXCHANGE LOSS

Foreign exchange differences are included in the consolidated income statement as follows:

	2008	2007
	RMB'000	RMB'000
		(Restated)
Net exchange (loss) gain	**(213,419)**	12,887
Less: net foreign exchange gains on bank borrowings (Note 39)	**(24,766)**	(26,699)
Exchange loss arising from the operating activities	**(238,185)**	(13,812)

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For the year ended 31 December 2008

42. INCOME TAX EXPENSE

(a) Income tax expense

The Group has no operations in Hong Kong and is therefore not subject to Hong Kong profits tax for both years.

Certain of the companies now comprising the Group are subject to the PRC enterprise income tax, which has been provided for based on the statutory income tax rates of 25% (2007: 27% to 33%) on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries and jointly controlled entities which were exempted from tax or taxed at preferential rates of 15% (2007: 15%).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of income tax expense charged to the consolidated income statement represents:

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Current income tax:		
– PRC enterprise income tax	**363,767**	391,095
– Overseas taxation	**2,357**	4,945
– Overprovision in previous years	**(25,997)**	—
	340,127	396,040
Deferred income tax (Note 31)		
– Effect of changes in tax rates on deferred income tax assets and liabilities	**–**	(4,450)
– Other deferred income tax	**(88,390)**	10,693
	(88,390)	6,243
	251,737	402,283

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42. INCOME TAX EXPENSE (Continued)

(a) Income tax expense (Continued)

The difference between the actual income tax expense in the consolidated income statement and the amounts which is calculated based on the statutory tax rate of 25% (2007: 33%) is as follows:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Profit before tax	**1,772,081**	1,567,430
Less: Share of results of associates	**(30,987)**	(49,973)
	1,741,094	1,517,457
Tax calculated at the statutory tax rate of 25% (2007: 33%)	**435,274**	500,761
Tax effect of income not taxable for tax purpose	**(29,610)**	(23,346)
Tax effect of expenses not deductible for tax purpose	**55,643**	70,771
Tax effect on tax losses not recognised	**27,665**	124,050
Utilisation of tax losses previously not recognised	**(15,890)**	(3,753)
Recognition of deferred income tax assets for previously unrecognised temporary differences	**(52,254)**	(12,980)
Additional deduction arising from research and development expenditure	**(3,161)**	(807)
Effect of differences in tax rates applicable to certain domestic subsidiaries and jointly controlled entities	**(109,939)**	(213,880)
Effect of tax exemption	**(7,307)**	(31,715)
Effect of changes in tax rates on deferred income tax assets and liabilities	**—**	(4,450)
Additional deduction arising from equipment produced in PRC	**(22,687)**	(2,368)
Overprovision in previous years	**(25,997)**	—
Income tax expense	**251,737**	402,283

43. EARNINGS PER SHARE

(a) Basic

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007 *(Restated)*
Profit attributable to equity holders of the Company (RMB'000)	**564,556**	486,642
Weighted average number of ordinary shares in issue	**3,570,315,321**	2,411,436,712
Basic earnings per share (RMB)	**0.158**	0.202

(b) Diluted

No diluted earnings per share has been presented for the two years ended 31 December 2008 and 31 December 2007 as there were no diluting events existed during both years.

44. DIVIDENDS

	2008 RMB'000	2007 RMB'000
Special distribution (Note a)	**–**	482,701
Special dividend (Note b)	**–**	89,932
Final dividend proposed of RMB0.02 per share (2007: Nil) (Note d)	**71,429**	–
	71,429	572,633

Notes:

(a) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution to Sinoma and the State-owned Promoters ("Special Distribution") in an amount equal to the difference between the Group's shareholders' equity as at 30 June 2006 and that as at 31 July 2007 (the date of the establishment of the Company), as determined based on the audited financial statements for that period prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP"). Special Distribution of RMB482,701,000 was recorded as at 31 December 2007 as liabilities to Sinoma group and the State-owned Promoters.

(b) Pursuant to the resolution of the shareholders' meeting held on 1 August 2007, it is resolved that Sinoma and the State-owned Promoters and the Other Promoters are entitled to a special dividend in an amount equal to the distributable profit of the Group generated from 1 August 2007 to 30 November 2007 (the last day of the month prior to the listing of the Company's shares) ("Special Dividend"), which is the lower of the respective amounts of net profit for that period determined under the PRC GAAP and HKFRS. Based on the audited financial statements of the Company prepared under the PRC GAAP, Special Dividend, amounting to RMB89,932,000, was recorded as at 31 December 2007 as liabilities to Sinoma, the State-owned Promoters and the Other Promoters.

(c) As at 31 December 2007, none of the above Special Distribution and Special Dividend was paid except that RMB18,799,000 of the Special Distribution had been settled by offsetting receivables due from one of the State-owned Promoters. The remaining balances of RMB553,834,000 have been paid during the year ended 31 December 2008.

(d) The final dividend of RMB0.02 (2007: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

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45. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and supervisors' emoluments

	2008 RMB'000	2007 RMB'000
Directors and supervisors		
– Fee for directors and supervisors	**930**	417
– Basic salaries, housing allowances and other allowances	**2,092**	1,601
– Contributions to pension plans	**88**	95
– Discretionary bonuses	**2,757**	1,369
	5,867	3,482

(i) The emoluments of every director and supervisor for the year ended 31 December 2008 is set out below:

Name	**Fee for directors and supervisors** RMB'000	**Basic salaries, housing allowances and other allowances** RMB'000	**Contributions to pension plans** RMB'000	**Discretionary bonuses** RMB'000	**Total** RMB'000
Executive directors					
– Mr. Tan Zhongming	—	—	—	—	—
– Mr. Yu Shiliang (Note a)	—	—	—	—	—
Non-executive directors					
– Mr. Liu Zhijiang	**60**	—	—	—	**60**
– Mr. Zhou Yuxian (Note b)	**60**	—	—	—	**60**
– Mr. Chen Xiaozhou	**60**	—	—	—	**60**
Independent non-executive directors					
– Mr. Yang Yuzhong	**180**	—	—	—	**180**
– Mr. Zhang Lailiang	**180**	—	—	—	**180**
– Mr. Zhang Qiusheng	**180**	—	—	—	**180**
– Mr. Leung Chong Shun	**180**	—	—	—	**180**
Supervisors					
– Ms. Xu Weibing	**15**	—	—	—	**15**
– Mr. Wang Jianguo	**15**	—	—	—	**15**
– Mr. Yu Xingmin	—	**532**	**16**	**837**	**1,385**
– Mr. Wang Baoguo	—	**273**	**23**	**368**	**664**
– Mr. Wang Wei	—	**553**	**23**	**826**	**1,402**
– Mr. Wang Jijun	—	**423**	**13**	**726**	**1,162**
– Ms. Zhang Lirong	—	**311**	**13**	—	**324**
	930	**2,092**	**88**	**2,757**	**5,867**

45. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

Notes:

a. Redesignated as non-executive director on 27 March 2009.

b. Redesignated as executive director on 27 March 2009.

c. In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from SINOMA which totaled approximately RMB915,000 for the year ended 31 December 2008, part of which was in respect of their services to the Group. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to SINOMA.

(ii) The emoluments of every director and supervisor for the year ended 31 December 2007 is set out below:

Name	Fee for directors and supervisors RMB'000	Basic salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors					
– Mr. Tan Zhongming	—	—	—	—	—
– Mr. Yu Shiliang	—	—	—	—	—
Non-executive directors					
– Mr. Liu Zhijiang	25	—	—	—	25
– Mr. Zhou Yuxian	25	—	—	—	25
– Mr. Chen Xiaozhou	25	—	—	—	25
Independent non-executive directors					
– Mr. Yang Yuzhong	75	—	—	—	75
– Mr. Zhang Lailiang	75	—	—	—	75
– Mr. Zhang Qiusheng	75	—	—	—	75
– Mr. Leung Chong Shun	75	—	—	—	75
Supervisors					
– Ms. Xu Weibing	6	—	—	—	6
– Mr. Wang Jianguo	6	—	—	—	6
– Mr. Yu Xingmin	6	315	26	537	884
– Mr. Wang Baoguo	6	251	25	—	282
– Mr. Wang Wei	6	446	22	539	1,013
– Mr. Wang Jijun	6	436	11	143	596
– Ms. Zhang Lirong	6	153	11	150	320
	417	1,601	95	1,369	3,482

Note: In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from SINOMA which totaled approximately RMB198,000 for the year ended 31 December 2007, part of which was in respect of their services to the Group. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to SINOMA.

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45. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(iii) During the two years ended 31 December 2008 and 31 December 2007, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

The discretionary bonuses of directors and supervisors for the two years ended 31 December 2008 and December 2007 is determined by the remuneration committee and having regard to the performance of individuals and market trends.

(b) Five highest paid individuals

(i) The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2008 include three supervisors (2007: two supervisors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: three) individuals during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Basic salaries, housing allowances and other allowances	**1,217**	1,900
Contributions to pension plans	**36**	44
Discretionary bonuses	**1,978**	491
	3,231	2,435

(ii) The emoluments of the above individuals fell within the following bands:

	2008	2007
Below HK$1,000,000 (2008: equivalent to RMB881,890 and 2007: equivalent to RMB936,380)	**–**	2
HK$1,000,001 to HK$1,500,000 (2008: equivalent to RMB881,891 to RMB1,322,835 and 2007: equivalent to RMB936,381 to RMB1,404,570)	**1**	1
HK$2,500,001 to HK$3,000,000 (2008: equivalent to RMB2,204,501 to RMB2,645,400 and 2007: equivalent to RMB2,340,751 to RMB2,808,900)	**1**	–
	2	3

(iii) During the two years ended 31 December 2008 and December 2007, no highest paid individuals of the Company waived any emoluments and no emoluments were paid by the Company to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the year ended 31 December 2008

(i) Taishan Composite

In March 2008, the Group acquired 100% equity interests in Taishan Composite for a consideration of RMB174,814,000. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was RMB22,868,000.

Net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before acquisition RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Property, plant and equipment	593,433	64,177	657,610
Prepaid lease payments	26,196	47,015	73,211
Intangible assets	—	6,350	6,350
Mining rights	3,563	1,912	5,475
Available-for-sale financial assets	5,000	—	5,000
Other non-current assets	578	—	578
Inventories	71,873	—	71,873
Trade and other receivables	114,056	—	114,056
Restricted cash	31,000	—	31,000
Bank balances and cash	22,522	—	22,522
Trade and other payables	(493,134)	—	(493,134)
Tax liabilities	(5,478)	—	(5,478)
Deferred tax liabilities	(2,804)	(29,863)	(32,667)
Dividends payable	(24,014)	—	(24,014)
Borrowings	(260,504)	—	(260,504)
Deferred income	(1,448)	—	(1,448)
Net assets	80,839	89,591	170,430
Less: Minority interests			(18,484)
Goodwill			22,868
Total consideration			174,814

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(i) Taishan Composite (Continued)

	RMB'000
Total consideration satisfied by:	
Cash	174,814
Net cash outflow arising on acquisition:	
Cash consideration paid	(174,814)
Less: cash and cash equivalents acquired	22,522
	(152,292)
Less: cash prepaid in the year ended 31 December 2007	100,000
Net cash outflow of cash and cash equivalent	(52,292)

Taishan Composite contributed RMB240,236,000 and RMB14,233,000 to the Group's turnover and profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, the Group's turnover for the period would have been RMB25,366,606,000, and profit for the period would have been RMB1,514,095,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(ii) Henglai

In July 2008, the Group acquired 100% equity interests in Henglai for a consideration of approximately RMB338,986,000. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was RMB31,786,000.

Net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount approximates to fair value RMB'000
Property, plant and equipment	732,531
Prepaid lease payments	45,616
Intangible assets	13,725
Deferred tax asset	236
Inventories	42,448
Trade and other receivables	61,235
Bank balances and cash	105,307
Trade and other payables	(394,670)
Tax liabilities	(4,828)
Borrowings	(294,400)
Net assets acquired	307,200
Goodwill	31,786
Total consideration	338,986

	RMB'000
Total consideration satisfied by:	
Cash	297,000
Other payables	41,986
Total consideration	338,986
Net cash outflow arising from acquisition:	
Cash consideration paid	(297,000)
Less: cash and cash equivalents acquired	105,307
Net cash outflow of cash and cash equivalent	(191,693)

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For the year ended 31 December 2008

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(ii) Henglai (Continued)

Henglai contributed a loss of approximately RMB10,719,000 to the Group's profit and RMB261,655,000 to the Group's turnover for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, the Group's turnover for the period would have been RMB25,815,748,000, and profit for the period would have been RMB1,468,606,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

(iii) Sinomatech Wind Power Blade Co., Ltd. ("Wind Power Blade")

Since 2007, the Group has 42.35% equity interests in Wind Power Blade which was classified as an associate. During the year ended 31 December 2008, the Group appointed 2 additional directors to the board of Wind Power Blade and has obtained de facto control over Wind Power Blade since the effective date of the change in the composition of the board of directors of Wind Power Blade . Wind Power Blade, previously an associate of the Group, became a subsidiary of the Group and the results, assets and liabilities of Wind Power Blade were therefore consolidated into the Group's consolidated financial statements since that date.

The business combination was accounted for using the purchase method of accounting as at the business combination date.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(iii) Wind Power Blade (Continued)

Net assets acquired in the transaction are as follows:

	Acquiree's carrying amount approximates to fair value RMB'000
Property, plant and equipment	45,678
Prepaid lease payments	12,247
Intangible assets	6,059
Inventories	51,814
Trade and other receivables	23,975
Bank balances and cash	63,075
Trade and other payables	(58,043)
Borrowings	(60,000)
Net assets acquired	84,805
Minority interests	(48,890)
Transfer from interest in an associate	35,915
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	63,075

Wind Power Blade contributed RMB210,995,000 and RMB35,398,000 to the Group's turnover and profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, the Group's turnover for the period would have been RMB25,294,704,000, and profit for the period would have been RMB1,500,745,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

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46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(iv) CEMTECK Changshu Heavy Machinery Co., Ltd. ("CEMTECK Changshu")

Before 2008, the Group has 50% equity interests in CEMTECK Changshu which was classified as a jointly controlled entity. During the year ended 31 December 2008, the Group has entered into agreement with the other shareholder of CEMTECK Changshu. Pursuant to the agreement, the other shareholder of CEMTECK Changshu agree to waive their control on the board of CEMTECK Changshu. Taking into consideration the Group's voting power in the board of CEMTECK Changshu and evaluating the criteria to determine whether the Group has de facto control over an entity as set out in Note 8 above, the management considers that the Group has obtained de facto control over CEMTECK Changshu since the effective date of obtained the control on the board of CEMTECK Changshu. CEMTECK Changshu, previously a jointly controlled entity of the Group which was accounted for by proportionate consolidation, became a subsidiary of the Group and the results, assets and liabilities of CEMTECK Changshu were therefore consolidated into the Group's consolidated financial statements since 1 January 2008.

The business combination was accounted for using the purchase method of accounting as at the business combination date.

Net assets acquired in the transaction are as follows:

	Acquiree's carrying amount	Amount consolidated under proportionate consolidation	Fair value
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	54,147	(27,073)	27,074
Prepaid lease payments	4,973	(2,487)	2,486
Deferred tax assets	639	(319)	320
Inventories	52,910	(26,455)	26,455
Trade and other receivables	40,603	(20,302)	20,301
Bank balances and cash	18,920	(9,460)	9,460
Trade and other payables	(108,224)	54,112	(54,112)
Tax liabilities	(1,727)	863	(864)
Deferred income	(2,649)	1,325	(1,324)
Borrowings	(24,400)	12,200	(12,200)
Net assets acquired	35,192	(17,596)	17,596
Minority interests			(17,596)
			–
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			9,460

CEMTECK Changshu contributed RMB257,870,000 and RMB13,716,000 to the Group's turnover and profit for the period between the date of acquisition and the balance sheet date.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2008 (Continued)

(v) Tianjin Tsubakimoto Conveyor Systems Co., Ltd. ("Tianjin Tsubakimoto")

Before 2008, the Group has 50% equity interests in Tianjin Tsubakimoto which was classified as a jointly controlled entity. During the year ended 31 December 2008, the Group has entered into agreement with the other shareholder of Tianjin Tsubakimoto. Pursuant to the agreement, the other shareholder of Tianjin Tsubakimoto agree to waive their control on the board of Tianjin Tsubakimoto. Taking into consideration the Group's voting power in the board of Tianjin Tsubakimoto and evaluating the criteria to determine whether the Group has de facto control over an entity as set out in Note 8 above, the management considers that the Group has obtained de facto control over Tianjin Tsubakimoto since the effective date of obtained the control on the board of Tianjin Tsubakimoto. Tianjin Tsubakimoto, previously a jointly controlled entity of the Group which was accounted for by proportionate consolidation, became a subsidiary of the Group and the results, assets and liabilities of Tianjin Tsubakimoto were therefore consolidated into the Group's consolidated financial statements since 1 January 2008.

The business combination was accounted for using the purchase method of accounting as at the business combination date.

Net assets acquired in the transaction are as follows:

	Acquiree's carrying amount RMB'000	Amount consolidated under proportionate consolidation RMB'000	Fair value RMB'000
Property, plant and equipment	2,017	(1,009)	1,008
Prepaid lease payments	156	(78)	78
Deferred tax assets	1,374	(687)	687
Other non-current assets	800	(400)	400
Inventories	15,290	(7,645)	7,645
Trade and other receivables	14,778	(7,389)	7,389
Bank balances and cash	15,612	(7,806)	7,806
Trade and other payables	(15,059)	7,530	(7,529)
Tax liabilities	(2,130)	1,065	(1,065)
Net assets acquired	32,838	(16,419)	16,419
Minority interests			(16,419)
			–
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			7,806

Tianjin Tsubakimoto contributed RMB62,564,000 and RMB8,995,000 to the Group's turnover and profit for the period between the date of acquisition and the balance sheet date.

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46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combination for the year ended 31 December 2007

In December 2007, one of the shareholders of Tai'an Advanced Heating Power Co., Ltd. ("Advanced Heating Power") withdrew its equity interests in Advance Heating Power and the Group's equity interests in Advanced Heating Power increased from 50% to 57.47%. Advanced Heating Power, previously an associate of the Group, became a subsidiary of the Group thereafter. If the increase in shareholding had occurred on 1 January 2007, the Group's turnover for the year ended 31 December 2007 would have been RMB19,661,834,000 and the Group's profit for the year ended 31 December 2007 would have been RMB1,025,490,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2007, together with the related tax effects.

Net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount approximates to fair value RMB'000
Property, plant and equipment	13,219
Inventories	507
Bank balances and cash	282
Trade and other receivables	7,144
Trade and other payables	(1,444)
Net assets	19,708
Minority interests	(8,382)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition	(326)
Transfer from interest in an associate	11,000
Net cash inflow arising from acquisition:	
Cash and cash equivalents acquired	282

47. DISPOSAL OF SUBSIDIARIES

(a) Hanjiang Caiban Door and Window Co., Ltd. ("Hanjiang Door and Window")

In June 2007, Sinoma Hanjiang disposed of its entire 75% equity interests in Hanjiang Door and Window for a cash consideration of RMB14,220,000.

The net assets of Hanjiang Door and Window. at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Prepaid lease payments	2,113
Trade and other payables	(63,482)
Net liabilities disposed of	(61,369)
Less: Waiver of receivables due from Hanjiang Door and Window	63,007
Gain on disposal	12,582
Total consideration	14,220
Satisfied by:	
Cash	14,220
Net cash inflow arising from disposal	
Cash consideration received	14,220

During the year, Hanjiang Door and Window contributed RMB68,000 to the Group's net operating cash flows, paid RMB124,000 in respect of financing activities and had no impact on the Group's investing activities.

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47. DISPOSAL OF SUBSIDIARIES (Continued)

(b) China Energy Conservative Co., Ltd (formerly known as Tianjin NengDa Technology Development Co., Ltd.) ("CEC")

In July 2007, in connection with the capital contribution by certain new investors, CEMTECH diluted its equity interests in CEC from 95% to 0.95%. The Group's equity investment in CEC was then reclassified from investment in subsidiaries to available-for-sale financial assets accordingly.

The net assets of CEC at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Bank balances and cash	29,216
Trade and other receivables	10,179
Deferred tax assets	223
Trade and other payables	(9,493)
Tax liabilities	(6,712)
Dividends payable	(20,413)
Net assets	3,000
Less: Minority interests	(150)
Net assets disposed	2,850
Less: Available-for-sale financial assets retained	(2,850)
Gain on disposal	—
Net cash outflow on disposal of subsidiary	
Bank balances and cash disposed of	(29,216)

During the year ended 31 December 2007, CEC contributed RMB13,134,000 to the Group's net operating cash flows and had no impact on the Group's investing and financing activities.

48. CONTINGENT LIABILITIES

	2008 RMB'000	2007 RMB'000
Pending lawsuits/arbitrations (Note a)	**24,000**	80,821
Outstanding guarantees (Note b)	**963,900**	637,418
	987,900	718,239

48. CONTINGENT LIABILITIES (Continued)

Notes:

(a) The Group has been named in certain lawsuits and other legal proceedings arising in the ordinary course of business. Provision as set out in Note 33 have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

(b) The Group has acted as the guarantors for various external borrowings made by other state-owned enterprises and certain third parties.

(c) At the balance sheet date, the Group has provided the following guarantees to related parties / independent third parties which will be expired on:

	2008 **RMB'000**	2007 RMB'000
Within one year	**139,150**	637,418
In the second to fifth years	**824,750**	–
Total	**963,900**	637,418

49. COMMITMENTS

(a) Capital commitments

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Capital expenditure authorised but not contracted for in respect of the acquisition of:		
– Property, plant and equipment	**1,605,449**	374,480
Capital expenditure contracted for but for provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**1,430,906**	777,468
– Prepaid lease payments	**18,663**	7,020
	1,449,569	784,488
	3,055,018	1,158,968

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49. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**10,462**	11,426
In the second to fifth years	**6,596**	19,557
Over 5 years	**23,335**	33,946
	40,393	64,929

Operating lease payments represents rentals payables by the Group for certain of various offices, warehouses and residential properties. Leases are negotiated for a period from 2-30 years and rentals are fixed during the relevant lease periods.

The Group as lessor

The Group rents out various investment properties and equipment under non-cancellable operating lease agreements. The rented out properties are expected to generate rental yield of 13% (2007: 19%) on an ongoing basis. All of the properties held have committed tenants for the next 5 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	RMB'000	RMB'000
		(Restated)
Within one year	**7,282**	13,589
In the second to fifth years	**8,046**	12,366
Over 5 years	**8,100**	2,120
	23,428	28,075

50. RELATED PARTY DISCLOSURES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. SINOMA, the immediate parent of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The State Council is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither SINOMA nor the State Council published financial statements available for public use.

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, to the extent practical, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. However, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the two years ended 31 December 2008 and balances as at 31 December 2008 and 31 December 2007 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

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50. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions

The Group had the following significant transactions with related parties:

	2008 RMB'000	2007 RMB'000 *(Restated)*
Transaction with SINOMA and fellow subsidiaries		
Revenue		
– Sales of goods or provision of services	**238,090**	278,355
– Interest income	**—**	—
– Other gains	**—**	1,599
Expenses		
– Purchases of goods or services	**207,883**	152,228
– Rental expense	**15,168**	19,162
Consideration for acquisition of a subsidiary	**33,984**	–
Transaction with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Revenue		
– Sales of goods or provision of services	**20,619**	60,924
– Interest income	**511**	928
Expenses		
– Purchases of goods or services	**20,706**	56,276
– Rental expense	**5,741**	3,989
Transaction with associates		
Revenue		
– Sales of goods or provision of services	**31,306**	17,501
– Disposals of property, plant and equipment and prepaid lease payments	**—**	57,107
Expenses		
– Purchases of goods or services	**9,358**	—

50. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions (Continued)

	2008 **RMB'000**	2007 RMB'000 *(Restated)*
Transaction with minority interests		
Revenue		
– Sales of goods or provision of services	**5,874**	16,638
Expenses		
– Purchases of goods or services	**3,874**	2,157
– Purchase of prepaid lease payments	**17,289**	21,621
– Rental expense	**–**	1,000
Acquisition of additional equity interests in subsidiaries	**480,175**	218,708
Transaction with joint venture partners of jointly controlled entities		
Revenue		
– Sales of goods or provision of services	**38,756**	69,721
Expenses		
– Purchases of goods or services	**28,743**	41,653
Transaction with other state-owned enterprises		
Revenue		
– Sales of goods or provision of services	**874,982**	625,640
– Interest income from bank deposits	**180,896**	55,433
Expenses		
– Purchases of goods or services	**674,921**	493,802
– Interest expense of bank borrowings	**574,821**	406,783
Others		
– Outstanding guarantees provided by the Group	**146,000**	124,280
– Outstanding guarantees provided by state-owned enterprises	**245,798**	209,415
Transaction with the State-owned Promoters		
Revenue		
– Other gains	**–**	6,733

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50. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties

	2008 RMB'000	2007 RMB'000 (Restated)
Trade and other receivables		
Trade receivables due from		
– SINOMA and fellow subsidiaries	**36,705**	63,059
– Jointly controlled entities	**12,150**	13,161
– Minority interests	**5,769**	10,405
– Joint venture partners of jointly controlled entities	**2,358**	3,295
– Other state-owned enterprises	**234,786**	140,452
– Less: Impairment loss recognised	**(6,542)**	(3,018)
	285,226	227,354
Other receivables due from		
– SINOMA and fellow subsidiaries	**54,561**	121,726
– Jointly controlled entities	**12,976**	17,240
– Minority interests	**47,856**	36,368
– Other state-owned enterprises	**36,582**	13,162
– Less: Impairment loss recognised	**(2,471)**	(1,302)
	149,504	187,194
	434,730	414,548
Trade and other payables		
Trade payables due to		
– SINOMA and fellow subsidiaries	**62,852**	131,587
– Jointly controlled entities	**4,853**	31,823
– Associates	**—**	—
– Minority interests	**6,387**	4,266
– Joint venture partners of jointly controlled entities	**4,782**	6,373
– Other state-owned enterprises	**178,230**	132,760
	257,104	306,809
Other payables due to		
– SINOMA and fellow subsidiaries	**35,693**	10,420
– Jointly controlled entities	**728**	—
– Minority interests	**3,542**	6,661
– Joint venture partners of jointly controlled entities	**5,784**	4,369
– Other Promoters	**—**	250,000
– Other state-owned enterprises	**87,496**	46,990
	133,243	318,440
	390,347	625,249

50. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

The credit periods of trade receivables due from related parties and trade payables due to related parties, if any, generally range from 30 to 180 days. Other receivables due from related parties and other payables due to related parties are generally unsecured, non-interest bearing and repayable on demand.

	2008 RMB'000	2007 RMB'000 *(Restated)*
Borrowings		
– Other state-owned enterprises	**127,395,571**	8,042,908
Other balances with other state-owned enterprises		
– Restricted cash	**3,478,085**	1,478,119
– Bank balances and cash	**10,033,871**	8,119,199
	13,511,956	9,597,318

Restricted cash, bank balances and cash and borrowings with related parties mainly represent balances with state-owned banks, which constitute of majority of restricted cash, bank balances and cash and borrowings. Detailed information of restricted cash, bank balances and cash and borrowings are disclosed in Notes 24, 25 and 30, respectively.

The weighted average effective interest rate of borrowings from related parties is 6.28% per annum as at 31 December 2008 (2007: 6.68%).

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50. RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

	2008 RMB'000	2007 RMB'000
Basic salaries, housing allowances and other allowances	**3,339**	2,274
Contributions to pension plans	**124**	137
Discretionary bonuses	**4,735**	691
Fee for directors	**900**	375
	9,098	3,477

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

(d) Loans to related parties

	2008 RMB'000	2007 RMB'000
Loans to associates:		
– At 1 January	**–**	3,905
– At 31 December	**–**	–
Loans to minority interests:		
– At 1 January	**–**	27,294
– At 31 December	**–**	–
Loans to other state-owned enterprises:		
– At 1 January	**4,369**	43,279
– At 31 December	**5,353**	4,369
– Maximum amounts outstanding during the year	**5,353**	43,279

Loans to related parties are included in trade and other receivables in the consolidated balance sheet. The weighted average effective interest rate of loans to related parties is 7.47% per annum as at 31 December 2008 (2007: 7.56%).

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) Principal subsidiaries

As at 31 December 2008, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Listed —					
Sinoma International (中國中材國際工程股份有限公司)	PRC 28 December 2001 Joint stock company	168,000	53.31%	—	Construction and engineering services; PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司) ("Sinoma Science & Technology")	PRC 28 December 2001 Joint stock company	150,000	47.67% (Note (ii))	—	High-tech materials operations; PRC
Tianshan Cement (新疆天山水泥股份有限公司)	PRC 18 November 1998 Joint stock company	312,033	36.28% (Note (iii))	—	Cement operations; PRC
Ningxia Saima Industry Co., Ltd. (寧夏賽馬實業股份有限公司) ("Saima Industry")	PRC 4 December 1998 Limited liability company	195,134	—	35.74% (Note (iv))	Production and sales of Cement and 熟料; PRC
Unlisted —					
CBMI Construction Co., Ltd. (中材建設有限公司)	PRC 13 November 2002 Limited liability company	72,580	—	76.58%	Construction and engineering services; PRC, Africa, Europe and South America
Chengdu Design & 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)	PRC 28 November 2002 Limited liability company	50,000	—	53.12%	Construction and engineering services; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Sinoma Tangshan Heavy Machinery Co., Ltd. (唐山中材重型機械有限公司)	PRC 27 January 2003 Limited liability company	44,166	–	55%	Manufacture of cement equipment; PRC
Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司)	PRC 19 December 2002 Limited liability company	50,080	–	81.91%	Construction and engineering services; PRC
Sinoma (Handan) Construction Co., Ltd. (邯鄲中材建設有限公司)	PRC 17 December 2002 Limited liability company	15,650	–	82.43%	Construction and engineering services; PRC
Tianjin Cement Industry Design and Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司)	PRC 13 December 2006 Limited liability company	200,000	–	93%	Construction and engineering services; PRC, Africa and other Asian Countries
China National Building Material Equipment Corp., Ltd. (中國建材裝備有限公司)	PRC 3 June 1988 Limited liability company	22,000	–	65%	Construction and engineering services; PRC and other Asian countries
CEMTECH (中天仕名科技集團有限公司)	PRC 7 April 2000 Limited liability company	55,280	–	55%	Manufacture of cement equipment; PRC
CEMTECH Xuzhou Heavy Machinery Co., Ltd. (中天仕名（徐州）重型機械有限公司)	PRC 16 December 2002 Limited liability company	38,000	–	91%	Manufacture of cement equipment; PRC
CEMTECH Zibo Heavy Machinery Co., Ltd. (中天仕名（淄博）重型機械有限公司)	PRC 8 January 2002 Limited liability company	50,000	–	65%	Manufacture of cement equipment; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
CEMTECK Changshu (常熟仕名重型機械有限公司)	PRC 23 October 2003 Limited liability company	20,000	–	50% (Note (v))	Manufacture of cement equipment; PRC
Xi'an Engineering (中國建築材料工業建設西安工程公司)	PRC 28 December 2001 Limited liabilities company	30,516	100%		Construction and engineering services, PRC
Jiangsu Sinoma Cement Technology Equipment Co., Ltd. (江蘇中材水泥技術裝備有限公司)	PRC 25 July 2007 Limited liabilities company	72,220	–	55%	Manufacture of cement equipment; PRC
Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司)	PRC 29 June 2007 Limited liability company	20,000	–	100%	Construction and engineering services; PRC
Sinoma Shangrao Machinery Co., Ltd. (上饒中材機械有限公司)	PRC 19 April 2007 Limited liability company	12,457	100%	–	Construction and engineering services; PRC
Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司)	PRC 26 June 2007 Limited liability company	20,000	–	100%	Construction and engineering services; PRC
Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設工程有限公司)	PRC 14 August 2007 Limited liability company	20,000	–	100%	Construction and engineering services; PRC
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	PRC 17 November 2003 Limited liability company	28,500	100%	–	Manufacture of cement equipment; PRC
Sinoma Cement (中材水泥有限責任公司)	PRC 20 November 2003 Limited liability company	1,324,753	100%	–	Cement operations; PRC
Sinoma Hanjiang (中材漢江水泥股份有限公司)	PRC 25 August 1994 Limited liability company	107,658	–	73.40%	Cement operations; PRC
Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司)	PRC 6 February 2006 Limited liability company	199,608	–	70%	Cement operations; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Yunfu Tianshan Cement Co., Ltd. (中材天山（雲浮）水泥有限公司)	PRC 4 April 2003 Limited liability company	180,000	–	81.94%	Cement operations; PRC
Xinjiang Tianshan Zhuyou Concrete Co., Ltd. (新疆天山築友混凝土有限責任公司)	PRC 20 April 2003 Limited liability company	19,513	–	88.64%	Cement operations; PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	PRC 16 January 1996 Limited liability company	27,360	–	74.63%	Cement operations; PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	PRC 28 January 2003 Limited liability company	24,253	–	60%	Cement operations; PRC
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	PRC 25 April 2001 Limited liability company	135,250	–	100%	Cement operations; PRC
Xinjiang Tunhe Cement Co., Ltd. (新疆屯河水泥股份有限責任公司)	PRC 16 October 2000 Limited liability company	350,000	–	51%	Cement operations; PRC
Suzhou Tianshan Cement Co., Ltd. (蘇州天山水泥有限公司)	PRC 6 November 2003 Limited liability company	30,000	–	100%	Cement operations; PRC
Wuxi Tianshan Cement Co., Ltd. (無錫天山水泥有限公司)	PRC 28 February 2003 Limited liability company	80,000	–	100%	Cement operations; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Jiangsu Tianshan Cement (Group) Co., Ltd. (江蘇天山水泥集團有限公司)	PRC 11 November 2002 Limited liability company	311,353	—	66.01%	Cement operations; PRC
Sunzou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	PRC 26 July 2002 Limited liability company	40,000	—	75%	Cement operations; PRC
Sinoma Advanced Materials (中材高新材料股份有限公司)	PRC 25 December 2000 Limited liability company	107,591	95.80%	—	High-tech materials operations; PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	PRC 30 April 2007 Limited liability company	100,000	—	64%	Manufacture of new solar materials; PRC
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體有限公司)	PRC 22 April 2005 Limited liability company	18,000	—	100%	High-tech materials operations; PRC
Beijing Composite Material Co., Ltd. (北京玻鋼院複合材料有限公司)	PRC 2 January 2003 Limited liability company	60,000	20%	80%	High-tech materials operations; PRC
Sinoma Science & Technology (Suzhou) Co., Ltd. (中材科技(蘇州)有限公司)	PRC 26 October 2004 Limited liability company	100,000	—	80%	High-tech materials operations; PRC
CTG (泰山玻璃纖維有限公司)	PRC 17 September 1999 Join stock company	1,934,712	100%	—	Glass fibre operations; PRC
Taishan Fibreglass Zoucheng Co., Ltd. (泰山玻璃纖維鄒城有限公司)	PRC 26 July 2001 Limited liability company	631,020	—	80.56%	Glass fibre operations; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Taishan Composite (山東泰山複合材料有限公司)	PRC 16 April 2003 Limited liability company	238,684	–	100%	Glass fibre operation; PRC
CTG International Inc. (CTG 北美貿易有限公司)	U.S. 16 April 2004 Limited liability company	13,457	–	100%	Trading of glass fibre; United States
Tai' an Huatai Nonmetal Micronization Co., Ltd. (泰安華泰非金屬微粉有限公司)	PRC 4 January 2002 Limited liability company	18,980	–	100%	Production and sale of non-metallic crystal; PRC
Sinoma Jinjing Fibre Glass Co., Ltd. (中材金晶玻纖有限公司)	PRC 17 January 2004 Limited liability company	200,000	51%	–	Glass fibre operations; PRC
Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司)	PRC 22 December 1999 Limited liability company	25,000	51%	–	Manufacture of Chinese ISO standard sands; PRC
Henglai (宜興天山水泥有限責任公司)	PRC 29 July 2008 Limited liability company	150,000	–	100%	Cement operations; PRC
Midong Tianshan Cement Co. Ltd (新疆米東天山水泥有限責任公司)	PRC 24 April 2007 Limited liability company	60,000	–	65%	Cement operations; PRC
Sinoma Louding Cement Co., Ltd (中材羅定水泥有限公司)	PRC 4 December 2007 Limited liability company	290,000	–	100%	Inactive; PRC
Sinoma Zhuzhou Cement Co. Ltd (中材株洲水泥有限公司)	PRC 11 October 2005 Limited liability company	230,000	–	99.20%	Cement operation; PRC
Changde Sinoma Cement Co. Ltd (常德中材牛力水泥有限公司)	PRC 10 October 2007 Limited liability company	145,420	–	83.5%	Cement operation; PRC
Xiang Tan Sinoma Cemnet Co. Ltd (湘潭中材牛力水泥有限公司)	PRC 28 September 2007 Limited liability company	169,500	–	63.72%	Inactive; PRC

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
		RMB'000			
Wind Power Blade (中材科技風電葉片股份有限公司))	PRC 14 June 2007 Limited liability company	255,000	—	54.12%	Sales of wind power blade; PRC
Ningxia Building Materials (寧夏建材集團有限責任公司)	PRC Limited liability company	781,711	50.06%	—	Cement operation; PRC
Ning Xia Qingtongxia Cement Co. Ltd (寧夏青銅峽水泥股份有限公司)	PRC 11 August 2001 Limited liability company	334,750	—	86.8%	Cement operation; PRC
Ning Xia Zhongning Saima Cement Co. Ltd (寧夏中寧賽馬水泥有限公司)	PRC 24 June 2004 Limited liability company	180,910	—	100%	Cement operation; PRC

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

(i) As at 31 December 2008, the Group's shares in companies listed in the PRC comprise:

(1) A 53.31% equity interests in Sinoma International, a company listed on the Shanghai Stock Exchange of the PRC. The Company's equity interests in Sinoma International represents 89,556,948 A shares which are not tradable in the stock market until 6 July 2009. The market value of these shares as at 31 December 2008 and 2007 is not presented as the shares were not tradable at these dates.

(2) A 47.67% equity interests in Sinoma Science & Technology, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Sinoma Science & Technology represents 71,566,800 A shares which are not tradable in the stock market until 3 November 2009. The market value of these shares as at 31 December 2008 and 2007 is not presented as the shares were not tradable at these dates.

(3) A 36.28% equity interests in Tianshan Cement, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in Tianshan Cement represents 113,196,483 A shares which are only tradable in the stock market by stages, of which 15,601,680 shares have been tradable since 26 May 2007 and 97,594,803 shares will be tradable after 26 May 2009. The market value of the 15,601,680 tradable shares as at 31 December 2008 is approximately RMB165,690,000 (2007: RMB132,457,000).

(4) A 35.74% equity interests in Saima Industry, a company listed on the Shanghai Stock Exchange of the PRC. The Group's equity interests in Saima Industry represents 69,750,000 A shares which are only tradable in the stock market by stages, of which 7,210,800 shares have been tradable since 5 August 2008, 14,421,600 shares will be tradable after 5 August 2009 and 48,117,600 shares will be tradable after 5 August 2010. The market value of the 7,210,800 tradable shares as at 31 December 2008 is approximately RMB123,593,000 (2007:RMB Nil).

(ii) As the Group has obtained de facto control over Sinoma Science & Technology as set out in Note 8 above and therefore Sinoma Science & Technology became a subsidiary of the Group.

(iii) As the Group has obtained de facto control over Tianshan Cement as set out in Note 8 above and therefore Tianshan Cement became a subsidiary of the Group.

(iv) Ningxia Building Materials hold 35.74% equity interests in Saima Industry. As Ningxia Building Materials has obtained de facto control over Saima Industry as set out in Note 8 above and therefore Saima Industry became a subsidiary of Ningxia Building Materials and the Group.

(v) As the Group has obtained de facto control over CEMTECK Changshu as set out in Note 8 above and therefore CEMTECK Changshu became a subsidiary of the Group.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(b) Jointly controlled entities

As at 31 December 2008, the Company has direct and indirect equity interests in the following principal jointly controlled entities (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
PPG Sinoma Jinjing Fibre Glass Co., Ltd. (龐貝捷中材金晶玻纖有限公司)	Hong Kong 24 March 2006 Limited liability company	216,567	–	50%	Glass fibre operations; Hong Kong
PPG Sinoma Zibo Jinjing Fibre Glass Co., Ltd. (淄博中材龐貝捷金晶玻纖有限公司)	PRC 19 April 2006 Limited liability company	212,394	–	50%	Glass fibre operations; PRC
Dongguan Taiguang Fibreglass Ltd. (東莞泰廣玻璃纖維有限公司)	PRC 10 June 2003 Limited liability company	6,710	–	50%	Glass fibre operations; PRC
Shangdong Taishan-PDO Fibre Products Co., Ltd. (山東泰山－彼迪奧薩茨玻璃纖維製品有限公司)	PRC 14 February 2001 Limited liability company	3,989	–	50%	Glass fibre operations; PRC
Shangdong Taishan Fiberex Fiberglass Co., Ltd. (山東泰山發博瑞克玻璃纖維有限公司)	PRC 31 October 2006 Limited liability company	23,620	–	50%	Glass fibre operations; PRC

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

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51. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) Associates

As at 31 December 2008, the Company has direct and indirect equity interests in the following principal associates (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued / paid-in capital RMB'000	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Nanjing Chunhui Science & Technology Industry & Commerce Co., Ltd. (南京春輝科技實業有限公司)	PRC 24 January 1997 Limited liability company	8,043	–	20.59%	Glass fibre operations; PRC
Hangzhou Qiangshi Engineering & Materials Co., Ltd. (杭州強士工程材料有限公司)	PRC 30 July 2000 Limited liability company	17,750	–	30%	Glass fibre operations; PRC
Hanjiang Concrete Co., Ltd. (漢中市漢江混凝土有限責任公司)	PRC 24 March 2000 Limited liability company	15,000	–	26.67%	Cement operations: PRC
Jiangsu Jiashi Engineering & Construction Co., Ltd. (江蘇嘉實工程建設有限公司)	PRC 15 November 2007 Limited liability company	6,000	–	45%	Construction and engineering services; PRC
Beijing Tongda Refractory Technologies Co., Ltd. (北京通達耐火技術有限公司)	PRC 10 May 2006 Limited liability company	119,060	–	25%	Cement operation, real estate, import and export trade; PRC

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(d) The operations of the principal subsidiaries, jointly controlled entities and associates are principally located in the PRC, Middle East and other Asian Countries.

Except for Sinoma International, Sinoma Science & Technology, Tianshan Cement and Saima Industry which are listed companies in the PRC, all subsidiaries, jointly controlled entities and associates have substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, jointly controlled entities and the associates referred to in these consolidated financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

52. THE FINANCIAL SUMMARY OF THE COMPANY

(a) The balance sheet of the Company

	2008 RMB'000	2007 RMB'000
Non-current assets		
Property, plant and equipment	**1,844**	1,726
Intangible assets	**2,927**	2,882
Investments in subsidiaries	**6,263,557**	3,000,700
Investments in jointly controlled entities	**24,636**	24,636
Investments in associates	**—**	394,727
Available-for-sale financial assets	**407,856**	611
	6,700,820	3,425,282
Current assets		
Trade and other receivables	**1,261,755**	307,372
Bank balances and cash	**295,868**	3,836,173
	1,557,623	4,143,545
Current liabilities		
Trade and other payables	**47,206**	295,296
Dividends payable	**—**	553,834
Tax liabilities	**14,034**	14,034
Borrowings	**1,450,000**	993,000
Early retirement and supplementary benefit obligations	**2,681**	2,511
	1,513,921	1,858,675
Net current assets	**43,702**	2,284,870
Total assets less current liabilities	**6,744,522**	5,710,152
Non-current liabilities		
Deferred tax liabilities	**354**	—
Early retirement and supplementary benefit obligations	**24,387**	22,935
	24,741	22,935
NET ASSETS	**6,719,781**	5,687,217
Capital and reserves		
Share capital	**3,571,464**	3,431,708
Reserves (Note b)	**3,148,317**	2,255,509
TOTAL EQUITY	**6,719,781**	5,687,217

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52. THE FINANCIAL SUMMARY OF THE COMPANY (Continued)

(b) The reserves movement of the Company

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000 (Note c (i))	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 July 2007, date of the establishment of the Company	103,810	(546,272)	–	–	–	–	(442,462)
Loss for the period from 31 July 2007 to 31 December 2007 and total recognised expenses for the period	–	–	–	–	–	(54,940)	(54,940)
Deemed contribution from SINOMA (Note c (i))	–	–	–	–	98,700	–	98,700
Issuance of new shares upon listing	2,744,143	–	–	–	–	–	2,744,143
Special dividend	–	–	–	–	–	(89,932)	(89,932)
Appropriation (Note c (ii))	–	–	13,607	–	–	(13,607)	–
At 31 December 2007 and 1 January 2008	2,847,953	(546,272)	13,607	–	98,700	(158,479)	2,255,509
Gain on fair value changes in available-for-sale financial assets recognised directly in equity	**–**	**–**	**–**	**2,481**	**–**	**–**	**2,481**
Deferred tax liabilities arising from the change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**(354)**	**–**	**–**	**(354)**
Net expense recognised directly in equity	**–**	**–**	**–**	**2,127**	**–**	**–**	**2,127**
Profit for the year and total recognised income for the year	**–**	**–**	**–**	**–**	**–**	**465,474**	**465,474**
Issuance of new shares through the exercise of over-allocation option	**445,762**	**–**	**–**	**–**	**–**	**–**	**445,762**
Shares issued expenses on over-allocation option	**(20,555)**	**–**	**–**	**–**	**–**	**–**	**(20,555)**
Appropriation (Note c (ii))	**–**	**–**	**16,590**	**–**	**–**	**(16,590)**	**–**
At 31 December 2008	**3,273,160**	**(546,272)**	**30,197**	**2,127**	**98,700**	**290,405**	**3,148,317**

52. THE FINANCIAL SUMMARY OF THE COMPANY (Continued)

(c) The reserves of the Company

(i) In October 2007, SINOMA entered into an irrevocable guarantee agreement with the Ministry of Commerce of the PRC ("MOC"), which released a guarantee previously provided by the Company to a subsidiary of SINOMA on a special foreign aid fund loans lent by MOC to such subsidiary. According to the agreement, SINOMA will assume the responsibility as the guarantor of the loans. The provision made by the Company for such guarantee, amounting to RMB98,700,000, was reversed and accounted for as an equity contribution from SINOMA.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders.

The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2008, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB16,590,000 (2007: RMB13,607,000), to the statutory surplus reserve.

(iii) Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2008 has incorporated a profit of approximately RMB465,474,000 (2007: loss of RMB54,940,000) arising from the financial statements of the Company.

53. MAJOR NON-CASH TRANSACTIONS

The Group has undertaken the following non-cash transactions during the two years ended 31 December 2008 and 31 December 2007:

(a) During the year ended 31 December 2008, a minority shareholder of a subsidiary of the Group contributed prepaid lease payments and property, plant and equipment of approximately RMB61,186,000 and RMB231,965,000, respectively as the registered capital of the subsidiary.

(b) During the year ended 31 December 2008, the Group obtained the de facto control over Wind Power Blade, therefore Wind Power Blade has been accounted for as a subsidiary of the Group. Its net assets value of RMB35,915,000 as at the date it became a subsidiary of the Group has been deemed as disposal of an associate.

(c) During the year ended 31 December 2008, the Group lost the significance influence over BBMG, therefore the Group's equity interests in BBMG of RMB404,765,000 have been reclassified as the available-for-sales financial assets.

(d) During the year ended 31 December 2008, the Group has acquired 100% equity interests in Taishan Composite for a consideration of RMB174,814,000 in which RMB100,000,000 had been paid in the year ended 31 December 2007 as the deposits.

(e) During the year ended 31 December 2007, the Group has disposed certain property, plant and equipment to Wind Power Blade for the consideration of RMB57,107,000 which has been settled by the current accounts.

(f) During the year ended 31 December 2007, the Group declared the Special Distribution and Special Dividend for RMB482,701,000 and RMB89,932,000, respectively of which RMB18,799,000 of the Special Distribution has been settled by offsetting receivables due from one of the Stated-owned Promoters. The remaining balances have been paid during the year ended 31 December 2008.

(g) As the Group's equity interests in CEC has been diluted from 95% to 0.95%, the Group's equity investment in CEC of RMB2,850,000 has been transferred to available-for-sales financial assets during the year ended 31 December 2007.

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For the year ended 31 December 2008

54. SUBSEQUENT EVENTS

(i) On 10 October 2008, Sinoma International entered into a) an equity purchase agreement with Tianjin Zhongtian Technology Development Co., Ltd ("Tianjin Zhongtian") to acquire certain equity interests in Tangshan Sinoma Heavy Machinery Co., Ltd, CBMI Construction Co., Ltd, CEMTECK Changshu, CEMTECK Zibo, CEMTECK, Jiangsu Sinoma Cement Technology Equipment Co., Ltd, CEMTECK Powder Technology Machinery Co., Ltd, Tianjin Shiming Machinery & Electrical Spare Parts Co., Ltd, Tianjin Electricity & Automation Control Engineering Co., Ltd, TCDRI Industry Design & Research Institute (TCDRI) Co., Ltd, China National Building Materials Equipment Co., Ltd, Chengdu Design and Research Institute of Building Materials Industry Co., Ltd, Sinoma (Handan) Construction Co., Ltd and Sinoma (Suzhou) Construction Co., Ltd.(collectively referred to as the "Target Companies"); and b) a 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 of the Target Companies acquired from Tianjin Zhongtian for the three years ending 31 December 2009, 2010 and 2011 do not reach certain agreed milestones. The aggregate consideration for the acquisition of the equity interests in the Target Companies is RMB1,946,300,000 which shall be satisfied by the issue and allotment of the shares by Sinoma International at an issue price of RMB46.37 per share (the "Consideration Shares") to Tianjin Zhongtian at the completion date. 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 of the acquisition, Sinoma International will be owned as to 42.46% by the Company and will continue to be a subsidiary of the Company. Sinoma International has obtained the approval from China Securities Regulatory Commission in March 2009 and the acquisition has been completed on 8 April 2009.

Details of which are set out in the Company's circular dated 31 October 2008.

(ii) On 24 November 2008, Tianshan Cement entered into an agreement on increase in registered capital with the existing shareholders of Xinjiang Midong Tianshan Cement Co., Ltd ("Midong Tianshan"), namely Xinjiang Huatai Chemistry Co., Ltd. ("Xinjian Huatai") and Xinjiang Tunhe Cement Co., Ltd ("Tunhe Coment") (the "Agreement"). Pursuant to the Agreement, the registered capital of Midong Tianshan shall be increased by RMB141,364,939. Such increased registered capital shall be partly contributed by Tianshan Cement by way of cash injection and partly contributed by Xinjiang Huatai by injection of the land use right in respect of the land, and RMB1 in the registered capital of Midong Tianshan valued at RMB1.008. Accordingly, Tianshan Cement shall inject cash in the amount of RMB131,040,000 into Midong Tianshan, and the cash so injected shall form RMB130,000,000 in the registered capital of Midong Tianshan. Tianshan Cement shall acquire an approximately 64.56% equity interests in Midong Tianshan as a result of such cash injection. Xinjiang Huatai shall inject its land use right in respect of the land which is valued at RMB11,455,859 into Midong Tianshan, and the land use right so injected shall form RMB11,364,939 in the registered capital of Midong Tianshan. The capital injections by Tianshan Cement and Xinjiang Huatai will result in a dilution of the equity interests in Midong Tianshan currently held by Tunhe Cement and Xinjiang Huatai, respectively. Upon completion of the transaction contemplated under the Agreement, the equity interests held by Tianshan Cement, Tunhe Cement and Xinjiang Huatai in the enlarged registered capital of Midong Tianshan will be approximately 64.56%, 19.37% and 16.07% respectively. As a result, the Company, through Tianshan Cement and Tunhe Cement, will increase its equity interests in Midong Tianshan from 65% to 83.93%, and therefore, Midong Tianshan will remain a non-wholly-owned subsidiary of the Company. Details of the Agreement have been disclosed in the Company's circular dated 15 November 2008. The capital injection has been completed on 19 March 2009.

Details of which are set out in the Company's announcement dated 24 November 2008.

54. SUBSEQUENT EVENTS (Continued)

(iii) On 13 April 2009, the Company has entered into an equity transfer agreement with SINOMA (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, the Company has agreed to acquire 49.94% equity interests in Ningxia Building Materials from SINOMA for a cash consideration of RMB1,011,256,300. According to the relevant PRC laws and regulations, the proposed transfer of the 49.94% equity interests in Ningxia Building Materials by SINOMA ("Acquisition") has to be conducted by a public bidding and listing transfer process on the Beijing Property Rights Exchange (the "Public Bidding Process"). The consideration for the Acquisition in the amount of RMB1,011,256,300 was set by SINOMA in the Public Bidding Process. Upon completion of the Equity Transfer Agreement, Ningxia Building Materials will become a wholly-owned subsidiary of the Company. The Company decided to participate in the Public Bidding Process. An amount of RMB300,000,000 was placed by the Company as a deposit in the course of the Public Bidding Process, which will be set off against the consideration for the Acquisition payable by the Company. The remaining amount of RMB711,256,300 will be settled by the Company in cash by internal resource within 10 working days after the fulfillment of all the conditions precedent under the Equity Transfer Agreement. The Acquisition has not been yet completed as of the date of the approval of these consolidated financial statements.

Details of which are set out in the Company's announcement dated 13 April 2009.

(iv) On 21 January 2009, the Company has entered into an equity transfer agreement ("ETA") with Shandong Aluminum Company ("Shangdong Aluminum"). Pursuant to the ETA, the Company agreed to acquire 4.37% equity interests in Sinoma Advance Materials from Shangdong Aluminum at a cash consideration of RMB18,186,400. As Shandong Aluminum is a wholly state-owned enterprise and according to the relevant PRC laws and regulations, the transfer of the 4.37% equity interests in Sinoma Advanced by Shandong Aluminum has to be conducted by a public bidding and listing transfer process on the Shanghai United Property Rights Exchange (the "Public Bidding Process"). The Company had submitted a bid in the Public Bidding Process and the Company was selected as the transferee of the 4.37% equity interests in Sinoma Advanced held by Shandong Aluminum after the Public Bidding Process. Upon completion of the ETA, the equity interests in Sinoma Advanced held by the Company shall be increased from 94.49% to 98.86%. The acquisition has been completed in February 2009.

Details of which are set out in the Company's announcement dated 21 January 2009.

(v) On 29 January 2009, Sinoma Cement, a subsidiary of the Company has entered into an equity transfer agreement ("ETA") with Jiangxi Zhengda Cement Co., Ltd. ("Jiangxi Zhengda"). Pursuant to the ETA, Sinoma Cement agreed to acquire 39% equity interests in Sinoma Pingxiang Cement Co., Ltd. ("Sinoma Pingxiang ") from Zhendgda Cement at a cash consideration of RMB151,560,840. Sinoma Pingxiang was incorporated as a limited liability company on 25 September 2008 in the PRC and is currently owned as to 51% and 49% by Sinoma Cement and Zhengda Cement, respectively. The acquisition has been completed on 17 February 2009.

Details of which are set out in the Company's announcement dated 29 January 2009.

(vi) In January 2009, Sinoma International has obtained the approval from the extraordinary shareholders' meeting to apply for the banking facilities from Bank of China for a one-month US$100,000,000 loan and 7-month US$200,000,000 loan. Meanwhile they have entered into certain foreign currency forward contracts, in order to fix the repayment amount of abovementioned borrowings.

55. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Definition

"Articles of Association" or "Articles"	the articles of association of the Company amended the second time at the extraordinary general meeting of the Company on 5 August 2008
"Audit Committee"	the audit committee of the Board
"BBMG"	BBMG Group Co., Ltd. (北京金隅集團有限責任公司), one of the promoters of the Company
"Beijing Guoyu"	Beijing Guoyu Building Material Engineering Company Limited (北京國宇建材工程有限責任公司), a limited liability company incorporated under the laws of the PRC, a subsidiary of Parent
"Board"	the board of Directors
"Cinda"	China Cinda Asset Management Corporation (中國信達資產管理公司), one of the promoters of the Company
"Company", "our Company", "we" or "us"	China National Materials Co., Ltd. (中國中材股份有限公司), a joint stock limited) company incorporated on 31 July 2007 under the laws of the PRC
"CTG"	Taishan Fiberglass Inc. (泰山玻璃纖維有限公司), a wholly-owned subsidiary of) the Company
"Companies Law"	the Companies Law of the People's Republic of China
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed Foreign Shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and for which an application has been made for permission to deal in and the grant of listing on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Henan Sinoma Environmental"	Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司), a wholly-owned subsidiary of the Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jidong Group"	Hebei Provincial Jidong Cement Group Co., Ltd. (河北省冀東水泥集團有限責任公司)
"Zhengda Cement"	Jiangxi Zhengda Cement Co., Ltd. (江西正大水泥有限責任公司)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the main board of the Hong Kong Stock Exchange
"Nanjing Mining Engineering"	Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司) , a wholly-owned subsidiary of Sinoma Mining
"NBM"	Ningxia Building Materials Group Company Limited (寧廈建材集團有限責任公司), a subsidiary of the Company

Definition

"Nomination Committee"	the nomination committee of the Board
"NSSF"	The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)
"Parent" or "CNM Group"	China National Materials Group Corporation (中國中材集團公司), one of the promoters of the Company
"Parent Group"	collectively, Parent and its subsidiaries (excluding the Group)
"PRC" or "China"	the People's Republic of China, which for the purposes of this annual report only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the People's Republic of China
"Shandong Aluminum"	Shangdong Aluminum Company (山東鋁業公司), a wholly state-owned enterprise incorporated under the laws of the PRC
"Sinoma Advanced Materials"	Sinoma Advanced Materials Co., Ltd. (中材高新材料股份有限公司), a subsidiary of the Company
"Sinoma Cement"	Sinoma Cement Co., Ltd. (中材水泥有限責任公司), a wholly-owned subsidiary of the Company
"Sinoma Hanghuo"	Sinoma Hanghuo Science Park Development Co., Ltd. (中材恒和科技園開發有限公司), a wholly-owned subsidiary of the Company
"Sinoma Mining"	Sinoma Mining Construction Co., Ltd (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma International"	Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock code: 600970), a subsidiary of the Company
"Sinoma Jinjing"	Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司), a subsidiary of the Company
"Sinoma Science & Technology"	Sinoma Science & Technology Co., Ltd. (中材科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 002080), a subsidiary of the Company
"Sinoma Shangrao"	Sinoma Shangrao Machinery Co., Ltd. (上饒中材機械有限公司), a wholly-owned subsidiary of the Company
"Strategy Committee"	the strategy committee of the Board
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Taian State-owned Assets"	Taian State-owned Assets Management Co., Ltd. (泰安市國有資產經營有限公司), one of the promoters of the Company
"Taishan Composite Materials"	Shandong Taishan Composite Materials Co., Ltd. (山東泰山複合材料有限公司), a subsidiary of CTG

Definition

"TCDRI"	Tianjin Cement Industry Design and Research Institute Co., Ltd. (天津水泥工業設計研究院有限公司), a subsidiary of Sinoma International
"Tianjin Mining Engineering"	Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司), a wholly-owned subsidiary of Sinoma Mining
"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
"Tianshan Cement"	Xinjiang Tianshan Cement Co., Ltd. (新疆天山水泥股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000877), a subsidiary of the Company
"Tianshan Group"	Xinjiang Tianshan Building Materials (Group) Company Limited (新疆天山建材 (集團)有限責任公司), one of the promoters of the Company
"Well Kent"	Well Kent International Holdings Company Limited (華建國際集團有限公司), one of the promoters of the Company
"Xi'an Engineering"	China Building Materials Industrial Corporation Xi'an Engineering Co., Ltd. (中國建築材料工業建設西安工程有限公司), a wholly-owned subsidiary of Sinoma Mining
"Xiamen Standard Sand"	Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司), a subsidiary of the Company
"Yanzhou Mining Engineering"	Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設有限公司), a wholly-owned subsidiary of Sinoma Mining
"Yixing Henglai"	Yixing Henglai Building Materials co., Ltd. (宜興市恒來建材有限公司), current name is Yixing Tianshan Cement Co., Ltd. (宜興天山水泥有限責任公司), a subsidiary of Tianshan Cement
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd., one of the promoters of the Company

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