China National Materials Company Limited

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

Annual Report 2009

Materials Innovating Prosperity

Contents

Corporate Information

As at 31 December 2009

Directors

Executive Directors

TAN Zhongming *(Chairman)*
ZHOU Yuxian *(President)*
LI Xinhua *(Vice chairman)*

Non-executive Directors

YU Shiliang
LIU Zhijiang
CHEN Xiaozhou

Independent Non-executive Directors

LEUNG Chong Shun
TONG Anyan
SHI Chungui
LU Zhengfei
WANG Shimin

Supervisors

XU Weibing *(Chairman)*
ZHANG Renjie
WANG Jianguo
ZHANG Lirong
WANG Wei [Note]
YU Xingmin

Note: Mr. WANG Wei resigned as the supervisor of the Company on 3 March 2010, for details please refer to the announcement of the Company dated 3 March 2010. Mr. WANG Wei was appointed as the vice president of the Company upon the approval by the Board on 8 March 2010.

Strategy Committee

TAN Zhongming *(Chairman)*
YU Shiliang
LIU Zhijiang
ZHOU Yuxian
CHEN Xiaozhou
LI Xinhua
TONG Anyan

Audit Committee

LU Zhengfei *(Chairman)*
WANG Shimin
LIU Zhijiang

Remuneration Committee

SHI Chungui *(Chairman)*
LEUNG Chong Shun
LU Zhengfei

Nomination Committee

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

As at 31 December 2009

Secretary of the Board

SU Kui

Joint Company Secretaries

SU Kui
YU Leung Fai *(HKICPA, AICPA)*

Authorised Representatives

ZHOU Yuxian
YU Leung Fai *(HKICPA, AICPA)*

Registered Office and Place of Business

11 Beishuncheng Street
Xizhimennei
Xicheng District
Beijing 100035
PRC

Place of Business in Hong Kong

7th Floor, Hong Kong Trade Centre
161-167 Des Voeux Road Central
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

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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.

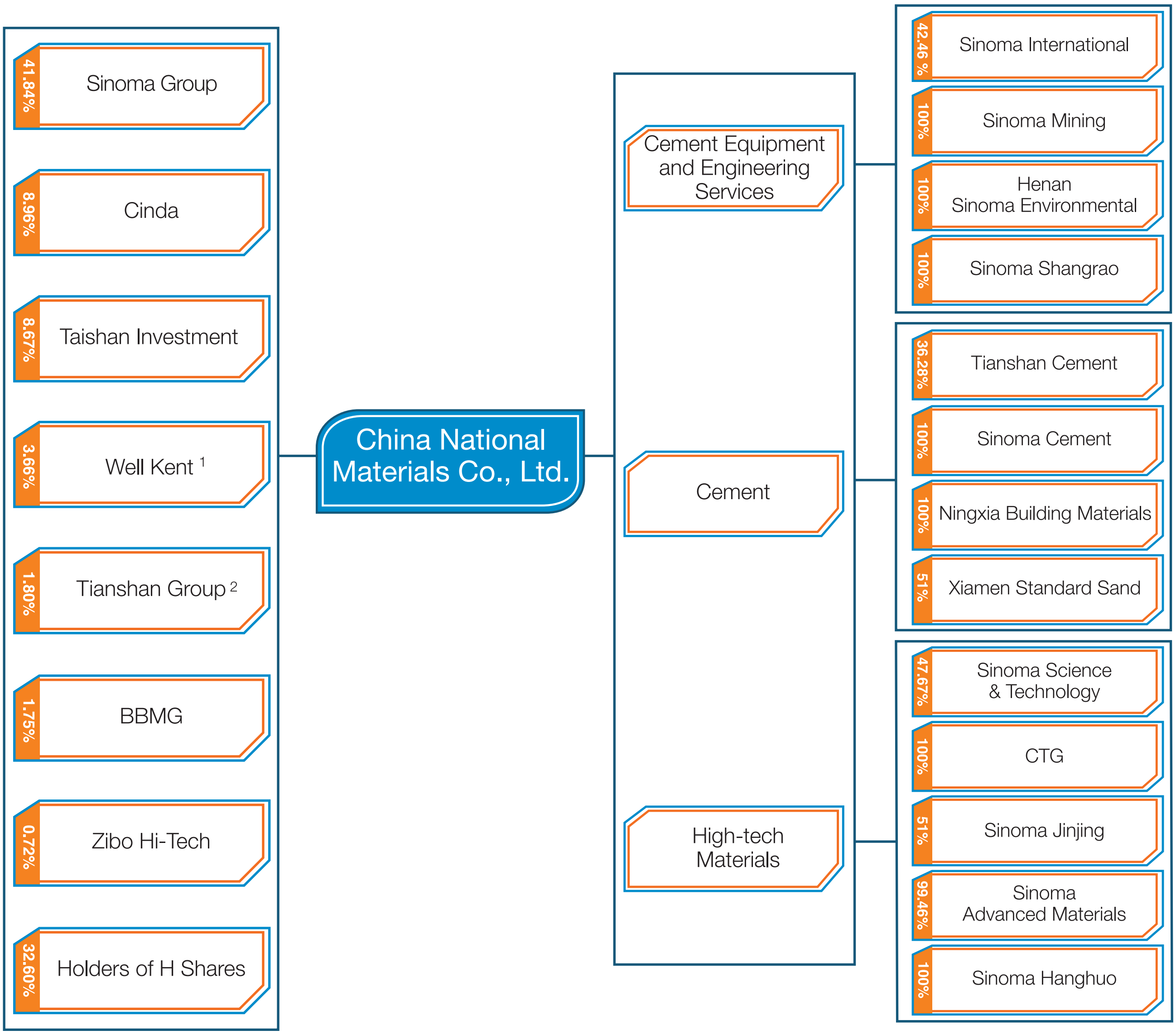
The Company is mainly engaged in cement equipment and engineering services, cement and high-tech materials business. The Company possesses series of core technologies such as glass fiber, composite materials, synthetic crystals, advanced ceramics and new dry process cement technology, with pioneering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

The Company is the largest provider of cement equipment and engineering services globally 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 sustainable development 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 2009



Note:

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

2. Sinoma Group holds 50.95% of the equity interest in Tianshan Group.

The above chart covers first-tier subsidiaries only. Subsidiaries on second-tier and below are not listed.

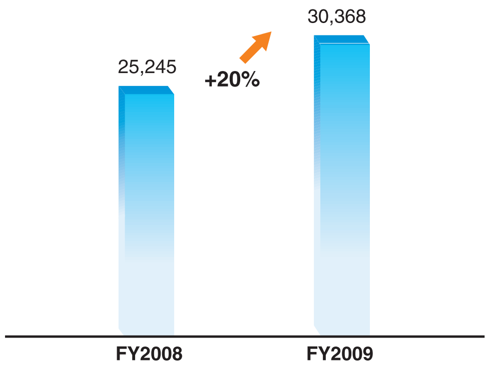
Financial Summary

General Information

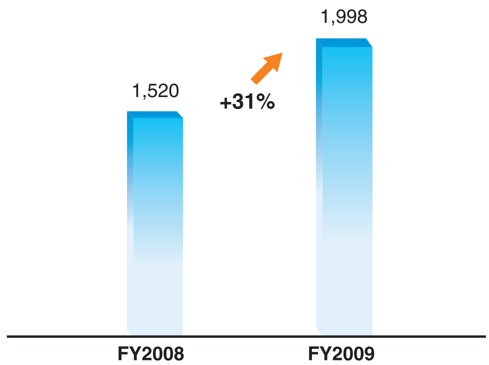
	2009 *RMB million*	2008 *RMB million*	Change of the period as compared to the same period last year *%*	2007 *RMB million* *(Restated)*	2006 *RMB million*	2005 *RMB million*
Turnover	**30,367.97**	25,244.82	20.29	20,733.93	13,012.87	8,631.20
Profit for the year	**1,997.52**	1,520.34	31.39	1,165.15	527.55	228.12
Profit for the year attributable to owners of the Company	**719.50**	564.55	27.45	486.64	281.91	99.08
Total assets	**49,760.24**	44,645.08	11.46	31,671.60	21,487.98	14,861.95
Total liabilities	**35,795.19**	32,429.35	10.38	21,590.36	16,943.41	12,354.02
Equity attributable to owners of the Company	**8,264.06**	6,793.63	21.64	6,106.76	1,943.98	1,478.19
Earnings per Share – Basic (RMB)	**0.201**	0.158	27.22	0.202	0.126	0.044
Equity per Share at the end of the year (RMB)	**2.31**	1.90	21.58	1.78	0.844	0.661

Note: The reason for restating the figures for 2007 is that the acquisitions of Ningxia Building Materials and Xi'an Engineering, the enterprises under common control, were completed for the year ended 31 December 2008.

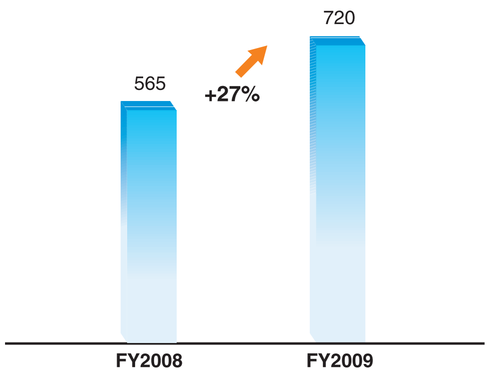
Turnover (RMB million)



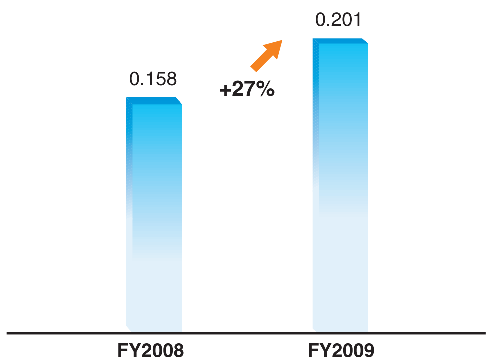
Profit for the year (RMB million)



Profit for the year attributable to owners of the Company (RMB million)



Earnings per Share – Basic (RMB)



Business Summary

Cement Equipment and Engineering Services

	2009	2008	Change (%)
Amount of new order intakes (RMB million)	**22,286**	34,080	(34.61)
Amount of backlog (RMB million)	**50,494**	47,526	6.25

Cement

	Sales Volume in 2009	Sales Volume in 2008	Change (%)
Cement ('000 tonnes)	**22,083**	17,565	25.72
Clinker ('000 tonnes)	**4,439**	2,590	71.39
Standard sand (tonnes)	**27,284**	23,901	14.15

High-tech Materials

	Sales Volume in 2009	Sales Volume in 2008	Change (%)
Glass fiber and glass fiber products ('000 tonnes)	**327**	291	12.37
Fan blades for wind power generators (sets)	**681**	137	397.08

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present to each of shareholders the annual report and results of the Company for 2009, and to report to you on the development focus of the Company for 2010.

As the international financial crisis continued to cast its effects during 2009, China encountered huge difficulties in economic development. In the face of international market downturn and severe domestic market competition, the Company made accurate decisions and positive responses, enhanced efforts to overcome the serious impact of dramatically shrinkage of overseas markets, and seized the opportunities brought by the PRC government policies to increase domestic demands and adjust industrial structure, and played the comparative advantages of the Company's leading position in the industry. Further, the Company took effective measures to enhance domestic and overseas market development, strengthened production and operation management, improved risk prevention and control capabilities, and sped up reorganization, mergers and acquisitions and construction, which enabled the Company to achieve rapid and healthy business development.

During the reporting period, turnover of the Group was RMB30,367.97 million, representing an increase of 20.29% as compared to the corresponding period of 2008. Profit for the year was RMB1,997.52 million, representing an increase of 31.39% as compared to the corresponding period of 2008. Profit for the year attributable to owners of the Company was RMB719.50 million, representing an increase of 27.45% as compared to the corresponding period of 2008. Earnings per share of the Company was RMB0.201.

Cement equipment and engineering services

The cement equipment and engineering services segment continued to maintain rapid growth, with further optimized organizational structure, further enhanced performance capabilities and service standards, significantly increased internal risk control capabilities and extended business development, all showing a good trend. During the year, contribution of profit attributable to owners of the Company of this segment increased substantially by 109% as compared to the corresponding period of 2008, contributing further to the revenue and profit of the Company.

In the face of a slumping overseas cement market amid international financial crisis, the segment gave full play to its comparative advantages in terms of its world's leading brands, lower cost, construction duration, quality and services, and increased the efforts on international market development. Meanwhile, it seized the favorable opportunity in a booming domestic cement market to increase the volume of contracts. The new domestic and overseas order intakes amounted to 22.3 billion, resulting in increasing overseas market shares which further sharpened its leading edge. The amount of backlog continued to increase, reaching RMB 50.5 billion, to a new high.

Cement

The cement industry adhered to the regional leader strategy and accelerated the development in Northwest China. The successful acquisition of Qilianshan Co., the largest cement producer in Gansu and Qinghai provinces, enabled the Company to integrate the cement market in Northwest China and the completion of integration of Ningxia Building Materials which became a wholly-owned subsidiary of the Company thereafter. To facilitate the implementation of the private placement of Tianshan Cement, the Company will further increase its shareholding in Tianshan Cement and speed up the development of Tianshan Cement. Through mergers and acquisitions and new construction, the Company has achieved its scheduled objectives of total cement production capacity of 52 million tonnes. Among which, those achieved in Northwest China amounted to 32 million tonnes, which enabled the Company to rapidly increase its control over the cement market in Northwest China and steadily achieve its strategic objective of becoming the largest cement manufacturer in Northern China.

During the reporting period, the Company's cement business continued to grow substantially. Benefited by China's policy of increasing domestic demand, the Company's cement production and sales increased substantially, especially in Northwest China where rapidly growing demand and the Company's leading position have brought huge benefits to its cement business. During the year, contribution of profit attributable to owners of the Company of the segment achieved 132% year-on-year growth. In the meantime, the Company adopted several measures, strengthened the operation management, so that the operation efficiency continued to improve and there were significant results in energy-saving and emission-reduction.

High-tech materials

According to industry characteristics and the need for management optimization, the Company combined the glass fiber segment and the high-tech materials segment into the high-tech materials segment in 2009. During the reporting period, keeping abreast of the global trend of developing low-carbon new energies, the Company strived to accelerate the development of its wind power blades business with technological advantage of independent intellectual property rights, and realized the leaping transformation from technological advantages to industry and economic advantages. During the year, production capacity and sales volume realized more than quadruple and became the leading enterprise in China's MW-level wind power blades industry. Meanwhile, the high-tech materials segment continued to strengthen market expansion and industrialization of products made from other advanced composite materials and advanced ceramic materials, and continued to create new profit growth points.

In the face of the international financial crisis which had struck a severe blow on the glass fiber industry, the Company made positive adjustment to marketing strategy of its glass fiber business and strived to develop new markets, with sales volume rising to new highs. Against substantial decrease in product price, the Company endeavored to tap potentials and cut cost to offset the decrease in profitability.

Prospects

In 2010, the global economy will enter into a slow recovery stage and international market demand is gradually rebounding. China's economy has experienced the most difficult period under the impact of financial crisis and further consolidated its foundation of economic recovery. The Chinese government continues to adhere to active fiscal policies and moderately loose monetary policies to speed up the adjustment of industrial restructuring, increase the efforts on energy-saving and emission-reduction, accelerate the development in Western China and promote the policies and measures including the use of building materials in the rural areas. All of these will create the favorable conditions for the development of the Company's businesses.

The Company will seize this favorable opportunity of macro-economic environment to actively develop new markets and speed up business development. Through strengthened production and operation management, the Company will further improve business operation to enhance competitiveness, and seize acquisition opportunities to expand business and realise the healthy and rapid development of its businesses.

In 2010, the cement equipment and engineering services segment will continue to maintain steady and rapid growth. The Company will take the advantage of its brand and system integrating service model advantages, and grasp the opportunity of international market recovery and increasing elimination of domestic backward production capacity to increase the new order intake and market shares, striving for a new contract amount exceeding those of 2009. The Company will actively develop environmental-protection and pollution-prevention cement technologies and equipment, and promote the repeated application of business model to the relevant fields. It will accelerate the extension of industrial chain to the spare parts supply services and mining services, and will strengthen strategic research to implement penetration into related multiple industries. The Company speed up the internal integration and external acquisition for the equipment manufacturing business, and continuously improve the supply rate of self- produced equipment, with an aim to lay a foundation for the change of the Company's equipment manufacturing business from single cement equipment manufacturing to general heavy equipment manufacturing.

The cement segment in 2010 will achieve faster development. The development of cement business should continue to adhere to the strategic goal of becoming the largest cement manufacturer in Northern China. Upholding the "regional leader strategy", the Company will speed up construction and acquisition in the Northwest China and the surrounding regions, complete the private placement of Tianshan Cement and the issue of corporate bonds of Saima Industry, and will accelerate capacity expansion so that total capacity of cement will exceed 70 million tonnes by the end of 2010. By the end of 2011, total capacity of cement will be aimed at reaching 100 million tonnes. The Company will strengthen the operation management, improve the overall key operational indicators and operational efficiency, with an expected annual sales of cement and clinker reaching 45 million tonnes in 2010. Development of commercial concrete and the related industries will be accelerated, and production capacity of commercial concrete will be more than 10 million cubic meters by the end of 2010. The Company plans to reach 50 million cubic meters within three years.

The high-tech materials segment will have substantial increase in profit contribution to the Company in 2010. Seizing the favorable opportunity of accelerating development of global new energy industry and growing market demand, the Company will leverage on its advanced technological edge to continue the rapid expansion of production capacity of wind power blades and production and sales volume. It is expected that in 2010 a production capacity of 2,800 sets and a sales volume of more than 1,700 sets will be achieved, and the research and development of 3 MW wind power blades will speed up to ensure its bulk production. The Company will actively commence discussion and attempt for engaging in the construction of wind power plants to expand business areas. To enhance the level of industrialisation, the Company will strengthen the nurturing and development of industry for inorganic non-metallic materials and products with advantages and development prospects, hence improving profitability and maximizing project benefits. The glass fiber industry should seize the current opportunity when product demand rebounds and price began to rise to speed up the adjustment of product structure, increase the efforts on development of high value-added products with huge market demand to improve the profitability of the Company. Close attention will be paid to the changes and development trend of glass fiber market domestically and internationally. Riding on existing production capacity, the Company will be well prepared for domestic and overseas expansion. In 2010, the production capacity of glass fiber is expected to reach 560 thousand tonnes, and sales volume to reach 380 thousand tonnes.

Through the strong support of shareholders and the joint efforts of the Board, the management and all the staff, the Board believes that the Company will certainly achieve more outstanding performance in 2010 as a return to our shareholders and the community.

On behalf of the Board, I would like to express my heartfelt gratitude to all the shareholders, investors and customers for your continued support. I would also thank the management and all the staff of the Company for their dedication and hard work for the Company's rapid development.

TAN Zhongming
Chairman of the Board

Beijing, China
6 April 2010

Management Discussion and Analysis

Business Review

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, is principally engaged in three business segments, namely, cement equipment and engineering services, cement and high-tech materials.

In 2009, the global financial crisis continued to spread, plunging the world into a severe recession. In the face of the crisis, the governments of different countries initiated a series of economic stimulus measures, resulting in the economy gradually stabilising at a low level and gradually showing signs of recovery. Impacted by the global financial crisis, the development of the Chinese economy encountered great difficulties. The Chinese government treated the task of maintaining stable but rapid economic development as its priority. By implementing proactive fiscal policies and moderate loose monetary policies, as well as comprehensively launching and improving sets of plans in the face of the global financial crisis, the economy stopped declining and recovered under the robust driving force of investments. The annual GDP achieved growth of 8.7%. In the face of the severe and complicated domestic and international economic situation, the Company made accurate judgement, scientifically decided and timely adjusted its development strategies and investment plans. It also seized the initiative for development, increased its strength in expanding the international market, and explored new markets and clients on the basis of consolidating the current market. The Company also grasped the opportunities for expanding investments in fixed assets domestically and enhancing adjustments to industry structure as well as the opportunity of developing new energy industries and expedited the development of corresponding business. It also took advantage of opportunities to accelerate the pace of mergers and acquisitions, as well as project construction; and further expanded its dominant position in selected strategic areas and main industries. Further strength in technological investment and efforts were made to commercialise technological results. The Company also strengthened its self-innovation and continued to maintain and expand its leading edge in technology. It also enhanced its management, optimised its capital structure, saved energy, reduced emissions, reduced cost and increased efficiency. Thus, the Company effectively overcame operating pressures arising from the external environment and continued to maintain sustained rapid growth of its operating results.

Cement Equipment and Engineering Services

Industry Review

Affected by the global financial crisis, demand in 2009 in the international cement construction market fell rapidly, and the scale of investment in the cement industry shrank, which led to a substantial reduction in global new order intake as compared to the corresponding period of 2008. When the world economy bottomed out and rebounded, cement investment in overseas emerging markets started to recover in the second half of the year. Some originally cancelled or suspended projects were re-activated. Overseas orders started to rise.

In 2009, investments in domestic cement construction market became active. According to the statistics of the China Cement Association, investment in the amount of RMB170.1 billion in fixed assets in cement industry was completed during the year, representing an increase of 62% as compared to the corresponding period of 2008. A total of 176 new dry process cement production lines were newly built and put into production, and the designed capacity of cement was newly increased by 195 million tonnes, representing an increase of 36% as compared to the corresponding period of 2008. The effort in structural adjustment was further enhanced, with 74.16 million tonnes of backward cement capacity being eliminated. With the issue of Guo Fa [2009] No. 38 Document by the State Council, China adopted macro-economic regulation and control in investments in cement industry. In the short run, the difficulty in approving cement production lines intensified, resulting in projects that were approved but not yet commenced experiencing stoppage and suspension. The trend of the continuous expansion in the domestic cement construction market was restrained.

Business Review

Domestic orders reached new highs and international market share rose further

The Company captured the favourable opportunities of the robust demand in domestic cement construction market and increased its expansion in domestic market. It also adapted to the demand in domestic constructors, extended its service model and enlarged its service scope. New domestic order intake in 2009 increased substantially to RMB12.25 billion, representing an increase of 33% as compared to the corresponding period of 2008, reaching a new high. Against the background of large-scale shrinkage in the international market, the Company followed closely with the cement investment trends of countries with emerging markets, fully capitalising on the

Company's comparative advantages in respect of brand, industrial chain, construction duration, quality, cost and service, thus continued to expand its overseas market share. New overseas order intakes exceeded RMB10 billion, further expanding of the leading edge of market share. As at the end of 2009, order backlog amounted to RMB50.5 billion, fully securing the operating development needs for the upcoming years.

Contract fulfillment capability enhanced and reputation of SINOMA brand rose further

While construction projects increased continuously and construction scale grew rapidly, the Company placed in contract fulfillment capability and improving of service quality and level as priority as a consequence, obtained excellent results. As at the end of 2009, the Company completed 5 production lines (three 5,000 tpd clinker production lines and two 10,000 tpd clinker production lines) in Saudi Arabia, all of which had obtained final acceptance certificates. The construction of a 5,000 tpd clinker production line in Phuc Son, Vietnam was awarded the highest prize in construction project quality in China — "China Construction Project (overseas) Luban Awards of the Year". The Ecuador project was awarded No. 1 of "Project of the year of Lafarge Group", as a result SINOMA brand became a mark of high quality in the global cement equipment and engineering services industry.

Optimization of organization structure, reinforcement in internal control management, expansion in industry development and increase in economic benefits

In 2009, the segment continued to optimize organization structure, Sinoma International through private placement, completed the acquisition of minority interests of its 14 subsidiaries which enhanced the Company's profitability. At the same time, it optimized management structure, reduced management levels, which further improved management efficiency. According to the business characteristics of the enterprise, overall competitiveness was enhanced through the overall adjustment to organization structure and optimization of resources allocation. Management and control level, as well as risk control capability, were further strengthened through the implementation of overall risk management. By taking advantage of its own superiority, the Company further expanded the businesses of providing components and spare parts, as well as mining services. The implementation of a series of measures effectively enhanced the profitability of the Company. In 2009, the segment results recorded an increase of 66% as compared to the corresponding period of 2008.

Increase investment in research and development, enhancement in core competitiveness

During the reporting period, the Company further extended its research and development and application of cement technology and key equipment, as well as the systemization of technology and equipment, symbolising the fact that the Company's equipment manufacturing capability and product quality were at the top of its peers internationally by manufacturing of the world largest cement mill. The Company has a full series of core equipment with its own intellectual property rights, such as vertical mills (立磨), powder selector, the 4th generation progressive coolers (新型第四代行進式穩流冷卻機), which were broadly used in domestic and overseas cement production lines. They gained an international reputation for SINOMA technology and brand. "The state's energy-saving and emission-reduction demonstration production line of new dry process clinker"(國家新型幹法水泥熟料生產節能減排示範綫) were designed, constructed and put into production with the new gereration technology and equipment by the Company, which achieved the integrated application of the new generation of energy-saving and emission-reduction technology for cement in China that had laid the foundation for the extensive promotion and application in the future. With the application of the Company's technology, as well as the completion and operation of production lines in Beijing, Guangzhou and other first-tier cities with cement cave which was used to dispose city garbage at the same time, new ways were paved for the development of the cement industry, which also opened up a new market for the sustainable development of the Company's business.

Cement

Industry Review

Driven by the RMB4 trillion economic stimulus plan and the policy of increasing domestic demand unveiled by the Chinese government, investment in the nationwide fixed assets in 2009 increased substantially. There was strong demand in the cement market, with total cement production output reaching a new post-2003 high. According to the information of the National Bureau of Statistics of China, the annual total cement production output in China reached 1.65 billion tonnes, representing an increase of 16% as compared to the corresponding period of 2008. New progress was achieved in structure adjustment. Strength in phasing out backward production capacity further increased. The percentage of the production of new dry process cement rose to more than 70%. Centralisation in the industry was obviously intensified. The segmentation of cement market remained unchanged. In the Eastern China, under the pressure of low demand growth and high supply, production increased but prices fell. The market was depressed. In the Western China, it benefited from the support of the state's economic stimulus plan and the grand development strategy for the Western China, as well as the disaster area reconstruction project. Demand there for cement increased rapidly, resulting in a favourable rising trend of production and price.

Since September 2009, the Chinese government launched a series of macro-economic regulations and control polices, which strictly controlled newly added cement capacity and sped up to eliminate backward production capacity. The introduction of such policies has helped the healthy development of the cement industry in the future and facilitated structural adjustment of the cement industry and further enhanced the industry's centralisation.

Business Review

Advantageous strategic position and substantial growth in operating results

During the reporting period, cement prices of the Company were substantially higher than national average prices, and remained at a high level due to strong market demand in the Northwest China, the major market of the Company. The Company's subsidiaries in the Northwest China captured market opportunities to fully explore the production capacity, thereby achieving remarkable operating results. In addition, the Company's enterprises in the western region in Guangdong province grasped the opportunity of improving demand as well as taking advantage of the gap between demand and supply in the second half of the year, and raised their profitability. The results of the Company's cement segment grew tremendously in 2009. A total of 26.52 million tonnes of cement and clinker were sold during the year, representing an increase of 32% as compared to the corresponding period of 2008. Turnover of RMB7.8 billion was recorded, representing an increase of 25% as compared to the corresponding period of 2008. A year-on-year growth of 36% was recorded for segment results.

Persistence in regional leader strategy and production capacity grew rapidly

During the reporting period, the Company accelerated the pace of its strategic expansion in the Northwest China. The total cement capacity controlled by the Company reached 52 million tonnes, of which 32 million tonnes derived from the Northwest China. In 2009, the Company completed the acquisition of equity interests of minority shareholders in Ningxia Building Materials and turned it into a wholly-owned subsidiary, thus further enhancing its control in the Ningxia market, and it also successfully controlled Qilianshan Co., which is the largest cement producer in Gansu and Qinghai. The additional 10 million tonnes of cement capacity helped to control the cement markets in Gansu and Qinghai, which combined the Company's northwest cement market into one market, and established an unshakable controlling position of Sinoma in the northwest cement market. In order to speed up its development in the northwest region, the Company proactively pushed on the private placement of Tianshan Cement and the issue of corporate bonds of Saima Industry which had supported the Company to seize the opportunity to expedite capacity expansion. During the reporting period, the Company built up 4 production lines and put the same into production in Northwest China and increased its production capacity by 4 million tonnes. At present, the Company's production lines under construction reached 13 in Northwest China. Once all of which are completed, the production capacity of 15.50 million tonnes will be increased.

Developing recycled economy and implementing low carbon and clean production

The Company is proactively promoting energy-saving and emission-reduction, which have improved the environment and increased profitability. During the reporting period, three cement production lines equipped with pure low temperature and waste heat power generation projects were put into operation. The installed capacity of the newly installed waste heat generators was 15.5MW; eight waste heat power generation projects were under construction with a designed capacity of 57MW. As at the end of 2009, the total installed capacity of the waste heat power generation of cement production lines of the Company was 54.5MW, with an annual accumulated power generation of 227.39 million KWh, thereby reducing the emission of 200 thousand tonnes of carbon dioxide. The two clinker production lines with a capacity of 2,000 tpd by utilising carbide slag to replace limestone in Midong, Xinjiang, will be completed and put into operation in 2010. Upon the production lines are put into operation, the annual consumption of industrial waste including carbide slag is estimated to exceed 1 million tonnes. When compared to cement production by utilisation of limestone, the emission of 600 thousand tonnes of carbon dioxide emission would be reduced and production cost would be reduced by more than 20% in each year.

Enhancing internal management and improving operation efficiency

During the reporting period, the Company adopted a number of measures to enhance internal management and operation efficiency. By improving production management and technological transformation, major operational indices of this segment improved, consumption indices dropped as compared to the corresponding period of 2008, the standard coal consumption of clinker per ton decreased by 1.93%, the average operation rate increased by 3.26 percentage points and the average production volume of clinker production lines grew by 2.81% as compared to the corresponding period of 2008. The Company's competitiveness was further enhanced, which facilitated a further increase in profitability.

High-tech Materials

Industry Review

In 2009, influenced by the global financial crisis, the overall development of the high-tech materials industry was slow. However, since new energy and energy-saving and environmental-protection industries were positioned as strategic industries for economic transformation, as well as climate change reaction and energy safety ensurance, therefore the relevant high-tech materials industry was strongly supported by the governments of different countries. The high-tech materials segment continued to maintain rapid development trend, especially wind power generation. The installed capacity of the global wind power generation grew by 31% in 2009, reaching 158 million KW, which became the fastest growing energy globally. The development of wind power generation industry in the PRC continued to maintain rapid growth in 2009. Newly installed capacity of wind power generation reached 13 million KW, which increased 100% as compared to the corresponding period of 2008. As a result, the overall wind power blades industry continued to grow rapidly. The wind power blades industry started to differentiate and market concentration increased gradually. With the lowering of raw material cost and market competition intensified, product prices tended to fall. The wind power blades of MW level dominated the market. Large wind power blades, such as those of 3 MW, started to enter into the market.

The glass fibre industry was severely impacted by the global financial crisis. Despite domestic demand continued to grow, international demand driven by the recovery of markets of developing countries and the stimulus plans of the automobile industry of developed countries, started to bottom up. However, suppressed by the substantial supply and inventories accumulated at the initial stage of the financial crisis, the market was still weak and prices continued to fall, the price rose slightly since September 2009 afterwards. The production output, sales volume and export output of domestic enterprises dropped as compared to the corresponding period of 2008. The production capacity of glass fibre in the PRC in 2009 amounted to 2.05 million tonnes, representing a decrease of 2.84% as compared to the corresponding period of 2008. The exported glass fibre and products amounted to 980 thousand tonnes, representing a decrease of 19.15% as compared to the corresponding period of 2008.

Business Review

Leaping development in wind power blades business

During the reporting period, the Company's wind power blades business maintained its rapid growth, with strong production and sales. The wind power blades self-developed by the Company were suitable for the condition of wind power fields in the PRC, with prominent advantages in low wind speed for starting work and full operation and high efficiency in power generation, with 10% higher power generation efficiency than similar products , leading to the change to 1.5MW-level, which was well recognised by the market. There was an undersupply of these products.

The Company grasped the favourable opportunity of strong market demand, and accelerated the development in its wind power blades business. The wind power blades industry expanded rapidly. The wind power blades industry, relying on its strong technological advantages and product characteristics, excelled its peers in the competitive wind power blades industry and captured the high-end market, realising a leaping development. During the reporting period, through the transformation of the original wind power blades production lines with annual capacity of 300 sets, the production capacity was increased. In June 2009, the wind power blades production line with an annual capacity of 500 sets was completed and put into production in Beijing. In August 2009, the wind power blades production line with an annual capacity of 500 sets with only five months' construction, produced its first wind power blades in Jiuquan, Gansu, creating an miracle with the shortest construction time within the industry. Every project realised expansion in production capacity, output and profitability within the same year. In 2009, the Company's capacity, production and sales volume of wind power blades grew tremendously, with capacity growing from 300 sets to 1,300 sets, while production output increased from 173 sets to 837 sets, and sales volume increased from 137 sets to 681 sets, making it a leading enterprise in the industry.

Active response to crisis impact and competition and endeavours to expand market share

In the face of the shrinking international market and the increasingly competitive domestic market under the impact of financial crisis, marketing strength was increased comprehensively in the high-tech materials segment. Under the premise of ensuring a continuing increase in the profitability of its wind power blades industry, the Company adopted proactive marketing strategies, extruded the profitability of non-mainstream enterprises and enhanced its strategic cooperation with key clients, so as to ensure its sales volume increasing four times. Adequate contract guarantee for market sales in next year was also ensured. The glass fibre industry actively adjusted its marketing strategies, stabilised traditional clients, proactively explored the market in emerging countries, expanded domestic sales areas, and also extended new sales fields. As a result, sales increased continuously and inventories fell. Production to sales ratio reached 105.5%. The industries for advanced ceramic materials, glass fibre products and composite materials actively explored the market, built and improved marketing system, which reduced the impact of the global financial crisis to the Company and consolidated and expanded its market share.

Reinforcing production and operating management and lowering cost

The Company reinforced its production and operating management, and adopted various measures to lower cost, so as to overcome the impact of non-favorable factors such as price fall. During the reporting period, the wind power blades industry built up a product cost analysis model. Purchasing prices were reduced by standardizing the purchasing process. The material utilisation rate and production efficiency were enhanced by optimizing the production process, resulting in unit sales costs of products being reduced substantially. The glass fibre industry achieved unit cost of sales reduced by 11% as compared to the corresponding period of 2008 through the promotion and application of the low-cost glass formula featuring low boron and no fluorine. The Company leveraged on its group advantages and optimised its debt structure, which reduced actual interest rate of financing substantially.

Persistence in technological innovation and enhancement in core competitiveness

During the reporting period, the Company endeavoured to commercialise its technological achievements and continuously enhanced its market competitiveness. The Company strengthened its production and technological research for wind power blades. The moulding time for wind power blades production was reduced from 48 hours to 32 hours through the optimization of the production process and parameters. The research and development of 3MW wind power blades were expedited, and it was estimated that the bulk production will start in the second half of 2010. For the glass fibre industry, the formula system was further optimised. High moulding GMG glass fibre was developed, when compared to E glass fibre, its stretching strength and elastic mould were increased. After the transformation of the production line, the system of energy-saving technology and the acid-resisting glass formula were adopted. The unit energy consumption fell from the original 0.9 tonnes of standard coal to 0.59 tonnes of standard coal, which enhanced the performance of the products and decrease the cost of production. The Company continuously improved the production process of ceramic materials and its quality control system and enhanced its commercialisation standard.

During the reporting period, the high-tech materials segment has applied for a total of 65 patents, of which 37 were for invention. A total of 42 patents were authorised, of which 16 were for invention.

Financial Review

	Year ended 31 December 2009 RMB million	Year ended 31 December 2008 RMB million	Change RMB million	%
Turnover	**30,367.97**	25,244.82	5,123.15	20.29
Cost of sales	**(24,969.40)**	(20,687.37)	(4,282.03)	20.70
Gross profit	**5,398.57**	4,557.45	841.12	18.46
Other gains	**774.78**	599.62	175.16	29.21
Selling and marketing expenses	**(824.93)**	(730.85)	(94.08)	12.87
Administrative expenses	**(2,451.19)**	(1,773.27)	(677.92)	38.23
Exchange loss	**(11.55)**	(238.19)	226.64	(95.15)
Other expenses	**(115.63)**	(277.16)	161.53	(58.28)
Operating profit	**2,770.05**	2,137.60	632.45	29.59
Interest income	**253.77**	196.62	57.15	29.07
Finance costs	**(626.23)**	(593.13)	(33.10)	5.58
Share of results of associates	**46.12**	30.99	15.13	48.82
Profit before tax	**2,443.71**	1,772.08	671.63	37.90
Income tax expense	**(446.19)**	(251.74)	(194.45)	77.24
Profit for the year	**1,997.52**	1,520.34	477.18	31.39
Profit for the year attributable to:				
Owners of the Company	**719.50**	564.55	154.95	27.45
Minority interests	**1,278.02**	955.79	322.23	33.71
Dividends	**89.29**	71.43		

Results Performance

During the reporting period, profit before tax of the Group was RMB2,443.71 million, representing an increase of 37.90% as compared to the corresponding period of 2008. Profit for the year attributable to owners of the Company was RMB719.50 million, representing an increase of 27.45% as compared to the corresponding period of 2008. Earnings per share of the Company was RMB0.201.

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 2009 was RMB30,367.97 million, representing an increase of 20.29% as compared to RMB25,244.82 million in 2008. The increase was mainly due to the fact that projects of cement equipment and engineering services business which were at the peak of construction increased and projects completed in the period also increased. There was undersupply of cement in the northwest market and both production and sales were strong. Turnover of the cement equipment and engineering services segment increased by RMB3,993.48 million, the cement segment increased by RMB1,553.19 million and the high-tech materials segment decreased by RMB54.13 million, respectively.

Cost of Sales

Cost of sales of the Group in 2009 was RMB24,969.40 million, representing an increase of 20.70% as compared to RMB20,687.37 million in 2008. The increase was mainly due to the increase of cement equipment and engineering services business as well as the increase in the sales of products for cement and high-tech materials, and the cost of sales increased accordingly. Cost of sales of the cement equipment and engineering services segment, cement segment and high-tech materials segment increased by RMB3,401.65 millon, RMB981.22 million and RMB239.93 million, respectively.

Gross Profit and Gross Margin

Gross profit of the Group in 2009 was RMB5,398.57 million, representing an increase of 18.46% as compared to RMB4,557.45 million in 2008, in which gross profit of the cement equipment and engineering services segment increased by RMB591.83 million, and gross profit of cement segment increased by RMB571.97 million. Due to the relatively more reduction in the price of glass fibre products, gross profit of the high-tech materials segment decreased by RMB294.06 million.

Gross margin of the Group decreased by 0.27 percentage points from 18.05% in 2008 to 17.78% in 2009. Gross margin of cement segment and cement equipment and engineering services segment recorded increase. The glass fibre products were affected by the financial crisis to a larger extent, resulting a decrease in gross margin for high-tech materials segment, thereby rendering a slight drop in gross margin of the Group.

Other Gains

Other gains of the Group in 2009 was RMB774.78 million, representing an increase of 29.21% as compared to RMB599.62 million in 2008. The increase was mainly due to the increase of subsidy income for certain high-tech materials products as well as the increase in lease income.

Selling and Marketing Expenses

Selling and marketing expenses of the Group in 2009 was RMB824.93 million, representing an increase of 12.87% as compared to RMB730.85 million in 2008. The increase was mainly due to the market expansion and the increase in sales, as well as the increase of selling and marketing expenses accordingly. But the further enhancement of the brand impact of the cement equipment and engineering services segment and the decrease of the market development expenses, offset the increase in selling and marketing expenses to a certain extend, in which selling and marketing expenses of cement segment, the high-tech materials segment and cement equipment and engineering services segment increased by RMB77.94 million, RMB14.50 million and RMB1.63 million, respectively.

Administrative Expenses

Administrative expenses of the Group in 2009 was RMB2,451.19 million, representing an increase of 38.23% as compared to RMB1,773.27 million in 2008. The increase was mainly due to greater increase in costs in research and development as a result of the increase in strength in research and development by the Company, and in the meantime the expansion of management scale and the increase in labour cost and maintenance cost of fixed assets. Administrative expenses of cement equipment and engineering services segment, the cement segment and the high-tech materials segment increased by RMB426.49 million, RMB213.37 million and RMB90.36 million, respectively.

Exchange Loss

Exchange loss of the Group in 2009 was RMB11.55 million, representing a decrease of 95.15% as compared to RMB238.19 million in 2008. The decrease was mainly due to the stable RMB value during the reporting period, coupled with the strengthening of the management and control of foreign exchange risks by the Company, which resulted in the substantial decrease in exchange loss.

Other Expenses

Other expenses of the Group in 2009 was RMB115.63 million, representing a decrease of 58.28% as compared to RMB277.16 million in 2008. The decrease was mainly due to the strengthening of the management and risks control by the Company, which could effectively avoid abnormal losses.

Operating Profit and Operating Profit Margin

Operating profit of the Group in 2009 was RMB2,770.05 million, representing an increase of 29.59% as compared to RMB2,137.60 million in 2008. Operating profit of the cement equipment and engineering services segment and cement segment increased by RMB423.18 million and RMB373.87 million, respectively. The decrease of RMB215.03 million in operating profit of high-tech materials segment was mainly due to the falling price of glass fibre.

Operating profit margin in 2009 was 9.12%, representing an increase of 0.65 percentage points as compared to 8.47% in 2008.

Interest Income

Interest income in 2009 was RMB253.77 million, representing an increase of 29.07% as compared to RMB196.62 million in 2008. The increase was mainly due to the adequation of the Company's bank balance and cash during the reporting period, the interest income recorded a relatively greater increase with reasonable funding arrangement.

Finance Costs

Finance costs in 2009 was RMB626.23 million, representing an increase of 5.58% as compared to RMB593.13 million in 2008. The increase was mainly due to the increase in finance costs resulting from the expansion of the scale of borrowings. But the Company adjusted debt structures by way of issuing corporate bonds and leveraged the advantages of the Group and obtained preferential interest rates to offset the increase in finance costs.

Share of Results of Associates

Share of results of associates in 2009 was RMB46.12 million, representing an increase of 48.82% as compared to RMB30.99 million in 2008. The increase was mainly due to the Company's participation in the private placement of Qilianshan Co. in 2009, rendering it into associates and was entitled to investment gains in proportion.

Income Tax Expense

Income tax expense in 2009 was RMB446.19 million, representing an increase of 77.24% as compared to RMB251.74 million in 2008. The increase was mainly due to the increase in profit before tax as well as the greater increase in enterprise income tax for major profit-making enterprises, as well as the decrease in the deferred income tax credit of certain enterprises, which resulted in the greater increase in income tax expense.

Profit for the year Attributable to Minority interests

Profit for the year attributable to minority interests in 2009 was RMB1,278.02 million, representing an increase of 33.71% as compared to RMB955.79 million in 2008. The increase was mainly due to the higher growth in results of Sinoma International, Tianshan Cement and Saima Industry of which the Company has relatively lower shareholdings.

Profit for the year Attributable to Owners of the Company

Based on the above, profit for the year attributable to owners of the Company in 2009 was RMB719.50 million, representing an increase of 27.45% as compared to RMB564.55 million in 2008.

Segment Results

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

Cement Equipment and Engineering Services

	2009	2008	Change
	RMB million	RMB millon	%
Turnover	**19,541.55**	15,548.07	25.68
Cost of sales	**17,122.60**	13,720.95	24.79
Gross profit	**2,418.95**	1,827.12	32.39
Selling and marketing expenses	**132.85**	131.22	1.24
Administrative expenses	**1,204.47**	777.98	54.82
Segment results	**1,065.68**	642.50	65.86

Turnover

Turnover of the cement equipment and engineering services segment in 2009 was RMB19,541.55 million, representing an increase of 25.68% as compared to RMB15,548.07 million in 2008. The increase was mainly due to the increase in the Company's construction projects during the peak construction period, the continued strengthening in contracts fulfillment capability, and the increase in completion of current period constructions projects.

Cost of Sales

Cost of sales of the cement equipment and engineering services segment in 2009 was RMB17,122.60 million, representing an increase of 24.79% as compared to RMB13,720.95 million in 2008. The increase was mainly due to the increase in completion rate of current period construction projects and the corresponding cost of sales during the period. Meanwhile, the Company took series of measures such as strengthening of project management and control of the cost of raw materials, which to a certain extent offset the increase in cost of sales.

Gross Profit and Gross Margin

Gross profit of the cement equipment and engineering services segment in 2009 was RMB2,418.95 million, representing an increase of 32.39% as compared to RMB1,827.12 million in 2008. Gross margin of the cement equipment and engineering services segment increased by 0.63 percentage points from 11.75% in 2008 to 12.38% in 2009. The increase in gross margin was mainly due to the fall of the price of raw materials, and in the meantime, strengthening of the management of internal control through optimizing the organization structure, thus resulting in the cost control.

Selling and Marketing Expenses

Selling and marketing expenses of the cement equipment and engineering services segment in 2009 was RMB132.85 million, representing an increase of 1.24% as compared to RMB131.22 million in 2008. The increase was mainly due to the increase in completion of current period construction projects and the rise in loading charges, and in the meantime, the decrease in the transportation and market expansion expenses, which offset the increase in selling and marketing expenses.

Administrative Expenses

Administrative expenses of the cement equipment and engineering services segment was RMB1,204.47 million in 2009, representing an increase of 54.82% as compared to RMB777.98 million in 2008. The increase was mainly due to the increase in the research and development cost and labour cost resulting from the Company's putting greater efforts in research and development.

Segment Results

Based on the above, segment results of the cement equipment and engineering services segment in 2009 was RMB1,065.68 million, representing an increase of 65.86% as compared to RMB642.50 million in 2008.

Cement

	2009 RMB million	2008 RMB millon	Change %
Turnover	**7,804.65**	6,251.46	24.85
Cost of sales	**5,545.90**	4,564.68	21.50
Gross profit	**2,258.75**	1,686.78	33.91
Selling and marketing expenses	**511.30**	433.36	17.99
Administrative expenses	**713.63**	500.26	42.65
Segment results	**1,411.19**	1,037.32	36.04

Turnover

Turnover of the cement segment in 2009 was RMB7,804.65 million, representing an increase of 24.85% as compared to RMB6,251.46 million in 2008. The increase was mainly due to the strong demand for cement in Northwest China, the major market of the Company, the cement price there was substantially higher than the national average price in China and remained high, and the significant increase in cement production and sales volume of the Company.

Cost of Sales

Cost of sales of the cement segment in 2009 was RMB5,545.90 million, representing an increase of 21.50% as compared to RMB4,564.68 million in 2008. The increase was mainly due to increased sales volume and the corresponding growth in cost of sales, and in the meantime the enhanced operating efficiency resulting from the decrease in the price of raw coal and the strengthening of the management and control, improving the operating efficiency by the Company, which to a certain extent offset the increase in cost of sales.

Gross Profit and Gross Margin

Gross profit of the cement segment in 2009 was RMB2,258.75 million, representing an increase of 33.91% as compared to RMB1,686.78 million in 2008. Gross margin of the cement segment grew by 1.96 percentage points from 26.98% in 2008 to 28.94% in 2009. The increase was mainly due to strong demand in the cement in Northwest China, resulting in the increase in sales volume and price, and the increase in price resulting from the improvement in the market demand in Guangdong in the second half of the year, which drove the increase in gross profit and gross margin of the segment.

Selling and Marketing Expenses

Selling and marketing expenses of the cement segment in 2009 was RMB511.30 million, representing an increase of 17.99% as compared to RMB433.36 million in 2008. The increase was mainly due to the increase in sales volume, and the corresponding increase in loading costs and packaging expenses.

Administrative Expenses

Administrative expenses of the cement segment was RMB713.63 million in 2009, representing an increase of 42.65% as compared to RMB500.26 million in 2008. The increase was mainly due to the increase in maintenance cost of fixed assets and labor cost.

Segment Results

Based on the above, segment results of the cement segment in 2009 was RMB1,411.19 million, representing an increase of 36.04% as compared to RMB1,037.32 million in 2008.

High-tech Materials

	2009 RMB million	2008 RMB million	Change %
Turnover	**3,688.83**	3,742.96	(1.45)
Cost of sales	**2,921.88**	2,681.95	8.95
Gross profit	**766.95**	1,061.01	(27.72)
Selling and marketing expenses	**180.77**	166.27	8.72
Administrative expenses	**472.81**	382.45	23.63
Segment results	**397.09**	612.12	(35.13)

Turnover

Turnover of the high-tech materials segment in 2009 was RMB3,688.83 million, representing a decrease of 1.45% as compared to RMB3,742.96 million in 2008. The decrease was mainly due to the greater price fall of glass fibre products as a result of the impact from the financial crisis. However, due to the centralised release of the newly added production capacity of wind power blades, the strong demand in the market and the substantially increase in sales volume, which in a large extent offset the price fall of glass fibre products to turnover.

Cost of Sales

Cost of sales of the high-tech materials segment in 2009 was RMB2,921.88 million, representing an increase of 8.95% as compared to RMB2,681.95 million in 2008. The increase was mainly due to the increase in cost of sales as a result of the substantial increase in the sales volume of wind power blades. At the same time, decrease in the unit cost of sales of wind power blades and glass fibre products through the cost reduction and efficiency improvement such as the strengthening of management and technological innovation, which offset the rise in cost of sales to certain extent.

Gross Profit and Gross Margin

Gross profit of the high-tech materials segment in 2009 was RMB766.95 million, representing a decrease of 27.72% as compared to RMB1,061.01 million in 2008. Gross margin of the high-tech materials segment decreased by 7.56 percentage points from 28.35% in 2008 to 20.79% in 2009. The decrease was mainly due to a substantial fall in price of glass fibre products. The increase of percentage of wind power blades with higher gross margin offset the fall in gross margin of the segment to a certain extent.

Selling and Marketing Expenses

Selling and marketing expenses of the high-tech materials segment in 2009 was RMB180.77 million, representing an increase of 8.72% as compared to RMB166.27 million in 2008. The increase was mainly due to the increase in expansion strength in domestic market and the increase of sales volume for major products, resulting in the corresponding increase in selling and marketing expenses.

Administrative Expenses

Administrative expenses of the high-tech materials segment in 2009 was RMB472.81 million, representing an increase of 23.63% as compared to RMB382.45 million in 2008. The increase was mainly due to the increase in strengthening in product research and development, resulting in the increase of research and development costs as well as the amortization of intangible assets and the increase in labour cost.

Segment Results

Based on the above, segment results of the high-tech materials segment in 2009 was RMB397.09 million, representing a decrease of 35.13% as compared to RMB612.12 million in 2008.

Liquidity and capital resources

Cash flows:

	2009 RMB million	2008 RMB million
Net cash generated from operating activities	**2,488.24**	5,958.71
Net cash used in investing activities	**(3,999.42)**	(8,221.34)
Net cash generated from financing activities	**1,327.54**	3,749.27
Cash and cash equivalents at the end of the year	**10,077.92**	10,252.39

Net cash generated from operating activities

Net cash generated from operating activities decreased from RMB5,958.71 million in 2008 to RMB2,488.24 million in 2009. The decrease was mainly due to the decrease in the advances received as well as the increase in the prepayments, the increase in projects under construction of the cement equipment and engineering services segment, and the decrease in the income from the glass fibre products as compared to the corresponding period of 2008.

Net cash used in investing activities

Net cash used in investing activities was RMB3,999.42 million in 2009, which was mainly used for the acquisition of the minority interests of Ningxia Building Materials, the acquisition of certain shares of Qilianshan Co. and the new construction of cement production lines and the wind power blades production line. The greater reduction as compared to 2008 was mainly due to the decrease in restricted bank balances.

Net cash generated from financing activities

Net cash generated from financing activities decreased from RMB3,749.27 million in 2008 to RMB1,327.54 million in 2009. The decrease was mainly due to the reduction in net cash used in investing activities and the increase of financing scale of the Company.

Working capital

As at 31 December 2009, the Group's cash and cash equivalents amounted to RMB10,077.92 million (2008: RMB10,252.39 million). Unutilised borrowing facilities amounted to RMB16,807.26 million (2008: RMB6,821.97 million). The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 December 2009 decreased to 97.26% (2008: 97.70%).

The Group monitors its capital status on the basis of the net debt ratio which is calculated as net debt divided by total capital. Net debt is calculated as the total amount of interest-bearing debts (including the sum of current and non-current borrowings and the bonds payable as shown in the consolidated statement of financial position), less cash and cash equivalents. The net debt ratio of the Group as at 31 December 2009 was 33.72%

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

Net Current Liabilities

As at 31 December 2009, the net current liabilities of the Group was approximately RMB696.34 million, representing an increase in the amount of RMB80.29 million as compared to the net current liabilities of RMB616.05 million as at 31 December 2008. The increase was mainly due to the increase of investment in fixed assets as a result of expansion of Company's business scale. At the same time, the issue of corporate bonds with a term of seven years offset the increase of net current liabilities to a certain extent.

Inventory Analysis

As at 31 December 2009, the inventory of the Group was approximately RMB4,539.82 million, representing an increase of RMB525.09 million as compared to RMB4,014.73 million as at 31 December 2008. The inventory turnover days increased from 58.16 days in 2008 to 62.52 days in 2009. The increase was mainly due to the increase in the construction materials of cement equipment and engineering services segment, and the increase in the inventory of certain high-tech materials products, which resulted in longer inventory turnover days.

Trade Receivables

As at 31 December 2009, the Group's trade receivables was approximately RMB3,534.11 million, representing an increase in the amount of RMB931.06 million as compared to the trade receivables of RMB2,603.05 million as at 31 December 2008. In 2009, the cement equipment and engineering services segment, the cement segment and the high-tech materials segment has an improved turnover rate for trade receivables and hence the average turnover days for trade receivables of the Company decreased from 37.72 days in 2008 to 36.88 days in 2009.

Contract Work-in-Progress

As at 31 December 2009, the Group's contract work-in-progress was RMB-236.82 million (as at 31 December 2008: RMB-74.42 million). Such change was mainly due to faster settlement of certain contract work-in-progress.

Contingent Liabilities

	The Group	
	2009	2008
	RMB'000	RMB'000
Pending lawsuits / arbitrations	**68,168**	24,000
Outstanding guarantees	**751,500**	963,900
Total	**819,668**	987,900

Capital Expenditures

During the reporting period, the capital expenditure of the Group was RMB5,289.75 million, representing a decrease of RMB1,236.44 million as compared to the capital expenditure of RMB6,526.19 million in 2008. In 2009, the capital expenditures of the cement equipment and engineering services segment, the cement segment and the high-tech materials segment was RMB693.48 million, RMB3,367.38 million and RMB1,228.23 million, respectively. These expenditures were mainly applied to the construction of cement production lines and the wind power blades production lines.

Material Investment

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 and 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 risk and raw materials and energy price risk.

Contract Risks

In 2009, the Company, relying on its brand advantage and competitive strength, captured market opportunities and obtained satisfactory results in both domestic and overseas markets. However, under the background of the global financial crisis, certain projects that were already executed may have the risks of being deferred or terminated. The uncontrollable factors of the implementation of the projects increased.

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 dollars and Euro. Therefore, the Company bears the risks of fluctuations of exchange rate to a certain extent. In 2009, the exchange rate of US to RMB was basically stable. The exchange rate of Euro to RMB was stable but rising slightly, which was favourable to the expansion of overseas projects. During the reporting period, to avoid the risks arising from fluctuation of exchange rate in RMB, the Company took proactive measures, including accelerating settlement speed, inclusion terms of fixed exchange rate in new project contracts. The Company will reinforce the above measures to effectively address the risks arising from the fluctuation in exchange rate.

Interest Rate Risks

The Company is exposed to risks resulting from fluctuation in interest rates on its borrowings. The Company raises borrowings to support general corporate purposes, including capital expenditures and working capital. The interest rate of the borrowings is subject to adjustment by its lenders in accordance with changes of the regulations of the People's Bank of China. In order to mitigate the risks arising from the increase in RMB interest rate, taking advantage of the Group's overall edges, the Company strengthens its cooperation with banks and enters into borrowing contracts with floating interest rates or fixed interest rates based on the judgment on interest rates trend, in order to obtain loans with preferential interest rate and in the meantime actively expands finance sources by issuing corporate bonds and medium-term notes, so as to fix the finance costs at a lower level.

Raw Materials and Energy Price Risks

The Company mainly consumes raw materials and energy resources, such as steel, coal, electricity and natural gas, the price fluctuation of which has a significant impact on the cost of the Company. Currently, with the recovery in economy and improvement in market, steel prices rose from the lower end of the financial crisis and the price for coal, electricity and natural gas will possibly rise. The Company will utilise optimised design to reduce consumption of raw materials and insert the compensation terms for rising price of major raw materials in the contracts. It will also increase its effort in technological transformation 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 arising from the changes in prices of raw materials and energy.

Biography of Directors, Supervisors and Senior Management

Executive Directors

TAN Zhongming, aged 56, is the executive Director and the chairman of the Board. Mr. Tan has also served as the general manager of our Parent from October 2000 to May 2009, and served as the chairman of our Parent since May 2009. 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 （山東淮坊水泥廠） and the chief deputy head of Lunan Cement Factory（魯南水泥廠）. From 1995 to October 2000, Mr. Tan has served a number of key governmental 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 industrial management departments. Mr. Tan has also been serving as directors of four A share 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 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 the 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 and he is also a professorate senior engineer.

ZHOU Yuxian, aged 46, is the executive Director and the president of the Company. Mr. Zhou served as our non-executive Director from July 2007 to March 2009. Mr. Zhou was re-designated as an executive Director and the president of the Company since March 2009. He has served as the deputy general manager of our Parent from October 2000 to May 2009. 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 of State Building Materials Bureau since August 1983, such as the deputy head and head of the institute. Mr. Zhou has been also serving as directors of Sinoma Science & Technology, Saima Industry and Qilianshan Co., all A share listed companies, since December 2001, December 2008 and July 2009, respectively. Since December 2005, he has been a director of BBMG Corporation, which is a H share listed company. Mr. Zhou is entitled to a special government allowance provided by the State Council. He also serves in various positions such as a member of Standing Committee of the Youth Association of the State-owned Enterprises, 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 he is also a professorate senior engineer.

LI Xinhua, aged 45, is the executive Director and the vice chairman of the Board. Mr. Li served as a vice president of the Company from July 2007 to October 2009 and has been serving as the executive Director and the vice chairman of the Board since 24 December 2009. Mr. Li has been the chairman of the board of Sinoma Science & Technology since May 2003 and the president of Sinoma Science & Technology since October 2009. Mr. Li has over 20 years of experience in the non-metal materials industry. Mr. Li joined Beijing FRP Research and Design Institute（北京玻璃鋼研究設計院）, currently a subsidiary of the Parent, and served various key positions, such as vice president and president since August 1985. Mr. Li is a 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. Mr. Li currently serves as a vice president of China Building Materials Federation（中國建築材料聯合會）,vice president of Chinese Society for Composite Materials （中國複合材料學會）,the president of China Industry Association for Composite Materials (中國複合材料工業協會)and a vice chairman of China Building Material Industry Science and Technology Education Committee（國家建築材料科技教育委員會）. Mr. Li graduated with a bachelor degree in chemistry from Shandong Institute of Building Materials （山東建材學院）in July 1985. He is also a professorate senior engineer.

Non-Executive Directors

YU Shiliang, aged 55, is the non-executive Director of the Company. Mr. Yu served as an executive Director and the president of the Company from July 2007 to March 2009, and then 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 and has been serving as the vice chairman of the board of the Parent since May 2009. 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 served as a director of Sinoma Science & Technology , an A Share-listed company, from December 2001 to December 2004 and has been serving as a director of Sinoma Science & Technology since March 2008. Mr. Yu was entitled to a special government allowance provided by the State Council. In 2006, he was awarded the fifth National Outstanding Entrepreneur in Innovation. In 1999 and 2007, he was awarded 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.

LIU Zhijiang, aged 52, is the non-executive Director of the Company. He served as the deputy general manager of our Parent from May 2005 to May 2009, and has been serving as a director of the board and the general manager of the Parent since May 2009. 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 since August 1982 such as deputy head and head of the institute. Mr. Liu served as the chairman of the board of Sinoma International, an A share-listed company, from April 2006 to December 2009. Mr. Liu is entitled to a special government allowance provided by the State Council. He was awarded 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國家級人選）. He also serves in various positions such as vice president of China Building Materials Federation, vice chairman of China Building Material 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.

CHEN Xiaozhou, aged 48, is the non-executive Director of the Company. Mr. Chen also has been serving 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 project finance department of the international banking sector and deputy general manager of business operation sector from August 1988 to August 1999. Mr. Chen has been serving as the 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 obtained a master degree in international accounting from New South Wales University of Australia.

Independent Non-executive Directors

LEUNG Chong Shun, aged 44, is the independent non-executive Director of the Company. Mr. Leung has 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）since October 2005 and has been serving as an independent non-executive director of China Metal Recycling (Holdings) Limited since May 2009. 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 been qualified as a solicitor in Hong Kong since 1991 and graduated from the University of Hong Kong in November 1988 where he obtained awarded a bachelor degree of Laws with honors. He is qualified as a solicitor in both Hong Kong and England.

TONG Anyan, aged 64, is the independent non-executive Director of the Company. Mr. Tong has over 40 years of experience in the railway transportation system. He joined Jiagedaqi Railway Bureau of Heilongjiang Province （黑龍江省加格達奇鐵路分局）in July 1969 and since then he worked for the branch of the bureau for over 20 years and served various key positions, such as, the chief engineer and the head of the branch of the bureau. Mr. Tong served as the deputy head and head of Transportation Bureau of the Ministry of Railway of the PRC （中國鐵道部運輸局）from May 1993 to November 2000. Mr. Tong served as the chairman of the supervisory committee of Key and Large-Scale State-owned Enterprises （國有重點大型企業）from November 2000 to August 2008. Mr. Tong graduated with a bachelor degree in traffic and transportation from Changsha Railway College （長沙鐵道學院）. He is also a senior engineer.

SHI Chungui, aged 69, is the independent non-executive Director of the Company. Mr. Shi currently has been serving as an non-executive director of Aluminum Corporation of China Limited （中國鋁業股份有限公司）, since June 2005 and has been serving as an independent non-executive director of Intime Department Store (Group) Company Limited（銀泰百貨（集團）有限公司）has been serving since August 2008. Mr. Shi has intensive experience in accounting, government and business administration. Mr. Shi served as an official of the People's Government of Qinhuangdao of Hebei Province（河北省秦皇島市政府)from January 1972 to June 1988, during which, he was appointed various key positions, such as, the deputy major and the director of commerce bureau. Mr. Shi served as the president of China Construction Bank, Hebei Branch, the president of China Construction Bank, Beijing Branch and the vice president of China Construction Bank, headquarter, from June 1988 to April 1999. He served as a vice president of Cinda from April 1999 to June 2001 and served as the vice chairman of Tianjin Pipe Co., Ltd. （天津鋼管有限公司）from June 2001 to September 2003. Mr. Shi graduated with a bachelor degree in public finance from Dongbei University of Finance and Economics （東北財經大學）. He is also a senior economist.

LU Zhengfei, aged 46, is the independent non-executive Director of the Company. Mr. Lu is currently an associate dean, a professor and a supervisor of doctoral students with Guanghua School of Management of the Peking University (北京大學光華管理學院). Mr. Lu is a consultant to the China Accounting Standards Committee of the Ministry of Finance of the PRC (財政部會計準則委員會), a committee member and a member of the Academic Committee of the China Accounting Association (中國會計學會), a member of the Standing Committee of the China Audit Association (中國審計學會), a member of the Chinese Taxation Institute (中國稅務學會), a member of the China Costing Association (中國成本研究會), a member of the Editorial Committee of Accounting Research (會計研究), and a member of the Editorial Committee of Audit Research (《審計研究》). Mr. Lu has over 20 years experience in the accounting industry, during which, he has gained extensive operational and managerial experience as well as in-depth knowledge of this field. Mr. Lu has been serving as an independent non-executive director of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) since February 2004 has been serving as an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) since September 2004 and has been serving as an independent non-executive director of Sino Biopharmaceutical Limited (中國生物制藥有限公司)since November 2007. Mr. Lu was selected as one of the "Top 100 Talent Program (「百才工程」) in philosophy and social science in Beijing in 2001 and one of the "New Century Excellent Scholarship Program (「新世紀優秀人才支持計畫」)" of the Ministry of Education of the PRC (中國教育部) in 2005. Mr. Lu graduated with a doctorate degree in economics from Nanjing University (南京大學) in June 1996 and completed the post-doctoral research in economics (accounting) at Renmin University of China (中國人民大學).

WANG Shimin, aged 61, is the independent non-executive Director of the Company. Mr. Wang served the Supreme People's Court of the PRC (最高人民法院) from 1980 to 2008, during which, he served various positions, such as, the chief of Bureau of Justice and Material Administration (司法行政裝備管理局) and the deputy chief of Administration in General Office (辦公廳). Mr. Wang graduated with a bachelor degree in metallurgy of rare metals from Beijing University of Science & Technology Beijing (北京科技大學). He is also qualified as a professor.

Supervisors

XU Weibing, aged 50, 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 served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from 2005 to July 2007. 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 Geology Division 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.

ZHANG Renjie, aged 45, is the Supervisor of the Company. Mr. Zhang has been the chief financial officer of Taian State-owned Assets since August 2005. Mr. Zhang previously served as a manager of the finance and audit department and an assistant to the general manager of Taian State-owned Assets from January 2000 to August 2005. He was a deputy director of finance and audit division of Taian Machinery and Electronics Administrative Bureau from March 1991 to January 2000. He was a deputy director of the finance division of Taian Fruit Company (泰安市果品公司) from August 1984 to March 1991. Mr. Zhang graduated in 1997 from Shandong Executive Leadership Academy (山東幹部大學) with a bachelor degree in accounting. He is also a senior auditor.

WANG Jianguo, aged 53, is the Supervisor of the Company. Mr. Wang has been serving as a 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 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 also an economist.

ZHANG Lirong, aged 53, is the employee representative Supervisor of the Company. Ms. Zhang has been serving as the president of Tianshan Cement (an A share listed company) 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 has been serving as a director of Tianshan Cement since 1998 and served as the 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 also a senior economist.

WANG Wei, aged 53, is the employee representative Supervisor of the Company during the reporting period. Mr. Wang served as a director and president of Sinoma International from December 2001 to December 2009, and as has been serving as the chairman of the board of Sinoma International since December 2009. Mr. Wang resigned as the Supervisor of the Company on 3 March 2010, and has been appointed as the vice president of the Company since 8 March 2010. Mr. Wang joined our Parent since 1984 and he has served various positions, such 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 the deputy 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 also a professorate senior engineer.

YU Xingmin, aged 54, is the employee representative Supervisor of the Company. Mr. Yu served as executive vice president of Sinoma International from August 2005 to December 2009, and has been serving as vice chairman of the board of Sinoma International since December 2009. Mr. Yu worked in TCDRI with various positions such as the deputy head and head of the institute, general manager and chairman from February 1982 to January 2010. 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 also a professorate senior engineer and a National Engineering Survey and Design Master.

Senior Management

ZHOU Yuxian, president of the Company, whose details are set out in the section headed "Executive Directors".

YU Mingqing, aged 46, is the vice president of the Company. Mr. Yu worked in Wuhan Building Materials Industry Design and Research Institute （武漢建築材料設計研究院）, currently a subsidiary of the Parent, from June 1988 to June 1989. Mr. Yu 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 November 2005. Mr. Yu served as the chairman of the board of Sinoma Advanced Materials from June 2004 to February 2009, and the vice president of China National Non-Metallic Materials Corporation, our predecessor, 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 （國家建材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 49, is the vice president of the Company. He has been serving as a deputy general manager of our predecessor, China National Non-Metallic Materials Corporation our predecessor, 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 in 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 47, is the vice president and secretary of the Board. 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 25 years of experience in the non-metals materials industry. He joined our Parent in 1987 and has held various positions such as manager of the general planning division, the manager of finance department, manager of planning and technical department and assistant to general manager of the corporation. Mr. Su is also a member of the State Construction Material Industry Technology Education Committee, director of Special Committee on Non-metallic Minerals（非金屬礦專委會）, executive director of Chinese Ceramic Society（中國硅酸鹽學會)and director-general of Non-metallic Minerals Branch （非金屬礦分會）. Mr. Su graduated from Wuhan University of Technology（武漢理工大學）in July 1984 majored in non-metals mining and is also a senior engineer.

JIN Leyong, aged 55, is the vice president of the Company. He served as the vice president of our predecessor, China National Non-Metallic Materials Corporation since December 2005. Prior to 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 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 degree in constructions and is also a professorate senior engineer.

SUI Yumin, aged 45, is the vice president of the Company. 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 of Tianshan Cement until July 2007. Mr. Sui has been serving as a director of Tianshan Cement since Octorber 2005, and has been serving as a 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 also a senior engineer.

ZHANG Zhifa, aged 56, is the vice president of the Company, and has been 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 also a professorate senior engineer.

WANG Baoguo, aged 54, is the vice president of the Company. Mr. Wang served as the deputy general manager of our predecessor, China National Non-Metallic Materials Corporation from October 2004 to July 2007, a Supervisor of the Company from July 2007 to October 2009, and he has been serving as the vice president of the Company since October 2009. Mr. Wang has been the chairman of the board and general manager of Sinoma Jinjing since October 2004. 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 also a senior economist.

WANG Guanglin, aged 51, is the vice president of the Company. Mr. Wang has been serving as the chairman of the board of Ningxia Building Materials since November 2005 and the chairman of the board of Sinoma Cement since September 2007. Mr. Wang has over 25 years experience in cement industry. He had been an assistant of the director, deputy director of Ningxia Cement Plant from November 1984 to March 1997, and served as head, deputy general manager, chairman of board and general manager of successively in Qingtongxia Cement Factory, Ningxia Hui Autonomous Region Building Materials Industrial Corporation, Qingtongxia Cement Corporation, Ningxia Building Materials Group, from March 1997 to November 2005. Mr. Wang graduated from Chinese University of Hong Kong in December 2008, Mr. Wang holds the master degree of business administration, and is also a professorate senior engineer.

LIU Biao, aged 43, is the chief financial officer of the Company. Mr. Liu joined Hunan Bureau of the General Administration of Civil Aviation of China（中國民航湖南省管理局）where he served as a deputy director of the finance department and other key positions 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 head 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 obtained a master degree in business administration from Wuhan University（武漢大學）in June 2007. Mr. Liu is also a qualified accountant and a member of the Chinese Institute of Certified Public Accountants.

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 2009.

Principal Business

The Group is principally engaged in the cement equipment and engineering services, cement and high-tech materials business. Details of the business of the Company's principal subsidiaries are set out in note 53 to the financial statements.

Results

The results of the Group for the year ended 31 December 2009 and the financial information of the Group as at 31 December 2009 is set out in the audited financial statements of this report.

Share Capital

As at 31 December 2009, the share capital structure of the Company is set out below:

Class 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%

Dividend

The Board recommends the distribution of final dividend of RMB0.025 per shares (tax inclusive) in an aggregate amount of RMB89,286,600 for the year ended 31 December 2009.

Public Float

As at 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 requirement under Rule 8.08 of the Listing Rules.

Directors and Supervisors

Certain information concerning the Directors and Supervisors of the Company as at 31 December 2009 is set out below:

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and executive Director	M	56	26 July 2007 to 25 July 2010
ZHOU Yuxian	Executive Director and president	M	46	27 March 2009 to 25 July 2010
	Non-executive Director			26 July 2007 to 27 March 2009
LI Xinhua	Vice chairman of the Board and Executive Director	M	45	24 December 2009 to 25 July 2010
YU Shiliang	Non-executive Director	M	55	27 March 2009 to 25 July 2010
	Executive Director and president			26 July 2007 to 27 March 2009
LIU Zhijiang	Non-executive Director	M	52	26 July 2007 to 25 July 2010
CHEN Xiaozhou	Non-executive Director	M	48	26 July 2007 to 25 July 2010
LEUNG Chong Shun	Independent non-executive Director	M	44	26 July 2007 to 25 July 2010
TONG Anyan	Independent non-executive Director	M	64	24 December 2009 to 25 July 2010
SHI Chungui	Independent non-executive Director	M	69	24 December 2009 to 25 July 2010
LU Zhengfei	Independent non-executive Director	M	46	24 December 2009 to 25 July 2010
WANG Shimin	Independent non-executive Director	M	61	24 December 2009 to 25 July 2010
XU Weibing	Chairman of the Supervisory Committee	F	50	26 July 2007 to 25 July 2010
ZHANG Renjie	Supervisor	M	45	9 June 2009 to 25 July 2010
WANG Jianguo	Supervisor	M	53	26 July 2007 to 25 July 2010
ZHANG Lirong	Supervisor	F	53	26 July 2007 to 25 July 2010
WANG Wei	Supervisor	M	53	26 July 2007 to 3 March 2010
YU Xingmin	Supervisor	M	54	26 July 2007 to 25 July 2010

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

The biography details of the Company's Directors and Supervisors are 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 was appointed as the president and executive Director of the Company but ceased to be the non-executive Director of the Company, while Mr. YU Shiliang was appointed as the non-executive Director of the Company but ceased to be the president and executive Director of the Company. For details, please refer to the announcement of the Company dated 27 March 2009 on the websites of the Hong Kong Stock Exchange and the Company.

Upon the approval at the general meeting held on 24 December 2009, the number of the Directors of the Company increased from 9 to 11. Messieurs YANG Yuzhong, ZHANG Lailiang and ZHANG Qiusheng ceased to be the independent non-executive Directors of the Company. Messieurs TONG Anyan, SHI Chungui, LU Zhengfei and WANG Shimin were appointed as the independent non-executive Directors of the Company, Mr. LI Xinhua was appointed as the executive Director of the Company. Upon the approval by the Board on 24 December 2009, Mr. LI Xinhua was appointed as the vice-chairman of the Board. For details, please refer to the announcements of the Company dated 27 October 2009 and 24 December 2009 on the websites of the Hong Kong Stock Exchange and the Company.

Mr. WANG Jijun resigned as the Supervisor of the Company on 14 April 2009 and Mr. ZHANG Renjie was appointed as the Supervisor of the Company upon the approval at the annual general meeting held on 9 June 2009. For details, please refer to the announcements of the Company dated 14 April 2009 and 9 June 2009 on the websites of the Hong Kong Stock Exchange and the Company.

Mr. WANG Baoguo resigned as the Supervisor of the Company on 27 October 2009 and was appointed as the vice president of the Company on the same date. For details, please refer to the announcement of the Company dated 27 October 2009 on the websites of the Hong Kong Stock Exchange and the Company.

Mr. WANG Wei resigned as the Supervisor of the Company on 3 March 2010 and was appointed as the vice president of the Company on 8 March 2010. For details, please refer to the announcement of the Company dated 3 March 2010 on the websites of the Hong Kong Stock Exchange and the Company.

Disclosure of Interests

Directors', Supervisors' and Chief Executive's interests and Short Positions in the Company's Shares, Underlying Shares and Debentures

As at 31 December 2009, 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 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 kept under such provisions or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Hong Kong Stock Exchange.

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

During the reporting period, no Director, Supervisor or chief executive of the Company or their spouses or children under the age of 18, had been granted any right by the Company to subscribe shares or debentures of the Company or any of its associated corporation, or had exercised any such right to subscribe for shares or debentures above.

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

As at 31 December 2009, so far as the Directors, Supervisors and chief executive of the Company are aware, according to the register of interests and/or short positions in shares required to be kept 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 Ltd.	Domestic shares	N/A	1,494,416,985	65.64%	41.84%
China Cinda Asset Management Corporation	Domestic shares	N/A	319,788,108	14.05%	8.96%
Taian Taishan Investment Co., Ltd.	Domestic shares	N/A	309,786,095	13.61%	8.67%
Well Kent International Holdings Company Limited	Unlisted foreign shares	N/A	130,793,218	100.00%	3.66%
The National Council for Social Security Fund	H shares	Long position	94,253,115	8.10%	2,64%
Baring Asset Management Limited	H shares	Long position	92,938,000	7.98%	2.60%
Northern Trust Fiduciary Services (Ireland) Limited	H shares	Long position	71,277,000	6.12%	2.00%

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

Save as disclosed above, so far as the Directors, Supervisors and chief executive of the Company are aware, as at 31 December 2009, 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.

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 2009.

The consolidated total purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases in 2009.

Purchase, Sale or Redemption of the Company's Shares

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Property, Plant and Equipment

For the year ended 31 December 2009, the additions of property, plant and equipment of the Group was RMB3,458.81 million. Details of these movements are set out in note 21 to the financial statements.

Reserves

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

Employees

As at 31 December 2009, the number of employees of the Group was 38,787.

Remuneration Policy

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and remuneration proposal 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 service contracts of the Directors as approved at the general meeting and the operating results of the Company. The remuneration of the 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 "Measures for Remuneration for Senior Management of China National Materials Company Limited", which was passed at the twenty-second meeting of the first session of Board. It was confirmed in the measures that the executive Directors and senior management of the Company adopt the system annual remuneration package. Their annual remuneration package include basic salary and performance-linked bonus. Basic salary was paid on a monthly-basis and bonus was determined by the Board 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 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, management and employees and facilitate the harmonious development of the enterprise.

As required by the revelant state and local labour and social welfare laws and regulations, the Company contributed to certain housing fund 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%, 0.3%, 0.8% and 12% of the total basic monthly salary of the employees.

Retirement Plan of Employees

Details are set out in note 39 to the financial statements.

Share Appreciation Right Plan

To motivate and award the senior management team and other key members of the Company, the Company has made the share appreciation right plan, which was considered and approved 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 right plan shall be considered and approved by the relevant administrative department of the PRC government before submission to the general meeting for approval. Currently the share appreciation right plan of the Company is still in the process of reviewing by the PRC government. Submission of share appreciation right plan in 2008 brought out relatively material change of various conditions, therefore, the Company will propose to further revise the share appreciation right plan in the first half of 2010, which will be subject to the approval by relevant administrative department of the PRC government immediately after the consideration and approval by the Board.

Directors' and Supervisors' Remunerations

Details of the remunerations of the Directors and Supervisors of the Company are set out in note 18 to the financial statements.

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

Service Contracts with Directors and Supervisors

The Company has entered into service contracts of a term of at most 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 or 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 financial year end of the year or at any time during the year.

Management Contract

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

Connected Transactions

1. Exempted Connected Transactions

1.1 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 2009, save as disclosed in the prospectus of the Company, no Directors (including independent non-executive Directors) of the Company has made any decision to exercise the options.

For the year ended 31 December 2009, the Parent confirmed its compliance with the commitments stated in the non-competition agreement, and provided the independent non-executive Directors of the Company with all information required for the annual review and the execution of the non-competition agreement.

2. Non-exempted Connected Transactions

Major connected transactions of the Group during 2009 are as follows:

2.1 Acquisition of 4.37% equity interest in Sinoma Advanced by the Company

On 21 January 2009, the Company entered into an equity transfer agreement with Shandong Aluminum, pursuant to which, the Company had agreed to acquire 4.37% equity interest in Sinoma Advanced, a subsidiary of the Company, from Shandong Aluminum at a consideration in the amount of RMB18,186,400. Upon completion of the equity transfer agreement, the equity interest in Sinoma Advanced held by the Company shall be increased from 94.49% to 98.86%.

Details of the transaction are set out in the announcement of the Company dated 21 January 2009 on the website of the Hong Kong Stock Exchange.

Shandong Aluminum is a promoter of Sinoma Advanced, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules.

2.2 Acquisition of 39% equity interest in Sinoma Pingxiang by Sinoma Cement

On 29 January 2009, Sinoma Cement, a subsidiary of the Company, entered into an equity transfer agreement with Zhengda Cement, pursuant to which, Sinoma Cement has agreed to purchase and Zhengda Cement has agreed to sell the 39% equity interest in Sinoma Pingxiang. The consideration for the acquisition of the equity interest is RMB151,560,840, which shall be satisfied by Sinoma Cement in cash. Upon completion of the equity transfer agreement, the equity interest in Sinoma Pingxiang held by Sinoma Cement shall be increased from 51% to 90%.

Details of the transaction are set out in the announcement of the Company dated 29 January 2009 on the website of the Hong Kong Stock Exchange.

Zhengda Cement is a substantial shareholder of Sinoma Pingxiang, a non wholly-owned subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules.

2.3 Acquisition of 49.94% equity interest in Ningxia Building Materials by the Company

On 13 April 2009, the Company and the Parent entered into an equity transfer agreement, pursuant to which, the Company has agreed to acquire 49.94% equity interest in Ningxia Building Materials from the Parent for a cash consideration in the amount of RMB1,011,256,300.00. Upon completion of the equity transfer agreement, Ningxia Building Materials will become a wholly-owned subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated 13 April 2009 on the website of the Hong Kong Stock Exchange.

The Parent is the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

2.4 Proposed A Share issue by Sinoma Science & Technology and proposed subscription of A Shares by the Company, Beijing Huaming and China Water Investment

Sinoma Science & Technology, a subsidiary of the Company, proposed to issue 50,000,000 new A Shares at a subscription price of RMB25.08 per share by way of private placement to the Company, Beijing Huaming and China Water Investment to raise funding in the amount of RMB931,529,962.44 in order to satisfy its operational need.

On 15 September 2009, the Company entered into a share subscription agreement with Sinoma Science & Technology, pursuant to which, the Company has agreed to participate in the A Share issue and subscribe for 37,142,343 A Shares of Sinoma Science & Technology at a subscription price of RMB25.08 per share for an amount of RMB931,529,962.44 to be settled in cash by the Company.

On 15 September 2009, Beijing Huaming entered into a Huaming share subscription agreement with Sinoma Science & Technology, pursuant to which, Beijing Huaming has agreed to participate in the A Share issue and subscribe for 4,285,886 A Shares of Sinoma Science & Technology at a subscription price of RMB25.08 per share for an amount of RMB107,490,000 to be settled by approximately 11.76% of the issued share capital of Sinoma Fan Blades held by Beijing Huaming as at 15 September 2009 by way of equity exchange.

On 15 September 2009, China Water Investment entered into a CWI share subscription agreement with Sinoma Science & Technology, pursuant to which, China Water Investment has agreed to participate in the A Share issue and subscribe for 8,571,771 A Shares of Sinoma Science & Technology at a subscription price of RMB25.08 per share for an amount of RMB214,980,000 to be settled by approximately 23.53% of the issued share capital of Sinoma Fan Blades held by China Water Investment as at 15 September 2009 by way of equity exchange.

Details of the transactions are set out in the announcement of the Company dated 15 September 2009 on the website of the Hong Kong Stock Exchange.

Both Beijing Huaming and China Water Investment are substantial shareholders of Sinoma Fan Blades, an indirect subsidiary of the Company, and are therefore connected persons of the Company under the Listing Rules.

III Non-exempted Continuing Connected Transactions

The Group has entered into certain non-exempted continuing connected transactions in 2009. The table below has set out the annual caps and the actual transaction amounts of such transactions:

		Expenditure		Revenue	
Connected Transactions		**Actual amount (RMB)**	**Cap (RMB)**	**Actual amount (RMB)**	**Cap (RMB)**
Property Lease Farmework Agreement	(1)	24,113,000	30,000,000	—	—
Mutual Supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Company and the Parent	(2)	42,428,000	80,000,000	5,568,000	130,000,000
Provision of Cement Equipment and Engineering Services Agreements with CBMC and CNBMEC	(3)	—	—	20,000,000	60,000,000
Mutual Supply of Raw Materials, Products and Services Agreement between the Company and Hengda Hong Kong	(4)	116,708,000	180,000,000	21,436,000	100,000,000
Mutual Comprehensive Services Agreement between the Company and the Parent	(5)	23,041,000	65,000,000	40,860,000	80,000,000
Mutual Supply of Raw Materials and Products Agreement between the Company and Tianshan Group	(6)	20,451,000	50,000,000	19,724,000	40,000,000
Agreements for the BOT Project, the CDM Project and the SEEG Sub-contract Project between the Company and Sinoma Energy Conservation	(7)	53,752,000	421,520,000	—	—
Supply Framework Agreement between Jiangxi Sinoma and LDK	(8)	—	—	9,944,000	400,000,000
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	(9)	29,182,000	80,000,000	—	—
Tongda Cooperation Agreement between Sinoma International and Beijing Tongda regarding the procurement of refractories and related installation and technical services	(10)	55,397,000	176,000,000	—	—

3.1 Property Lease Framework Agreement

Certain subsidiaries of the Company have entered into several property and building lease agreements with certain subsidiaries of the Parent before the listing, pursuant to which certain subsidiaries of the Parent have agreed to provide property and building leasing services to certain subsidiaries of the Company. The term of such agreements was 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 as a whole and reflect the prevailing market rate.

In order to regulate the property lease arrangements between the Parent Group (other than the Group) and the Group, a property lease framework agreement was entered into between the Parent and the Company on 5 May 2009.

Pursuant to the property lease framework agreement, the Group agreed, in accordance with the agreements between both parties from time to time, to lease from the Parent Group (other than the Group) certain land and buildings (including but not limited to production lines, office building, warehouse and employees' quarters) owned or leased by the Parent Group in the PRC, for the purpose of the operation of the Group.

The term of the property lease framework agreement commenced from 5 May 2009 and will end on 31 December 2011. Upon expiry of the term, the property lease framework agreement shall, subject to the relevant disclosure requirements of the Listing Rules and unanimous agreements by both parties, be renewed for a further period of three years. Details of the transaction are set out in the announcement of the Company dated 5 May 2009 on the website of the Hong Kong Stock Exchange.

Parent is a controlling shareholder of the Company, and is therefore a connected persons of the Company under the Listing Rules.

During the reporting period, the annual cap on the aggregate rents payable by the Group to certain subsidiaries of the Parent for 2009 under the above-mentioned property and building lease agreements was approximately RMB30,000,000 and the actual rental expenditure incurred was approximately RMB24,113,000.

3.2 Mutual Supply of Equipment and Parts, Provision of Maintenance, Repair and Installation Services Agreement between the Company and the Parent

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

Under the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent, 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 commenced from 31 July 2007 and ended 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 will, subject to the requirements of the Listing Rules, be automatically renewed for a further period of three years.

On 19 November 2008, the Company revised the annual caps for the two years ended 31 December 2008 and 2009, respectively 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.

On 31 December 2009, the Company again entered into the mutual supply of equipment and parts, provision of maintenance, repair and installation services agreement with the Parent, for a term of 3 years until 31 December 2012, and set the annual caps for the three years ending 31 December 2012. Details of the transaction are set out in the announcement of the Company dated 31 December 2009 on the website of the Hong Kong Stock Exchange.

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

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 for 2009 was approximately RMB130,000,000 and the actual amount was approximately RMB5,568,000; b) the annual cap on expenditure from the provision of cement production equipment and parts to the Group and the provision of the maintenance, repair and installation services for cement plants and equipments of the Group by the Parent Group for 2009 was approximately RMB80,000,000 and the actual amount was approximately RMB42,428,000.

3.3 Provision of Cement Equipment and Engineering Services Agreements with CBMC and CNBMEC

Certain subsidiarieis of the Company entered into the provision of cement equipment and engineering services agreements with CBMC and CNBMEC on 25 February 2005, 15 November 2005 and 6 July 2006, respectively, pursuant to which certain subsidiaries of the Company 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 subsidiaries of the Company entered into the provision of cement equipment and engineering services agreements with CBMC and CNBMEC respectively following their successful bidding for these agreements in the relevant public tender processes. Accordingly, the prices of these agreements have been decided by the Company and its subsidiaries and accepted by CBMC and CNBMEC respectively, based on the Company's subsidiaries' anticipated costs of the relevant projects plus reasonable profit margins according to their internal policies.

There are currently four projects under the agreements, among which CBMC has a total of two cement equipment and engineering services projects with the contract amount of approximately 382,228,664 Rupiah and US$53,600,000 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 which with a contract amount of approximately US$58,700,000 was completed in June 2008 and another of which with a contract amount of approximately US$145,000,000 was completed at the end of 2009.

On 19 November 2008, the Company revised the annual caps for the two years ended 31 December 2008 and 2009, respectively 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.

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

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 for 2009 was approximately RMB60,000,000 and the actual amount was approximately RMB20,000,000.

3.4 Mutual Supply of Raw Materials, Products and Services Agreement between the Company and Hengda Hong Kong

On 23 November 2007, the Company entered into a mutual supply of raw materials, products and services agreement with Hengda Hong Kong, pursuant to which:

(1) Hengda Hong Kong 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 Hong Kong Group with clinker.

Under the mutual supply of raw materials, products and services agreement with Hengda Hong Kong, 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 Hong Kong commenced from 31 July 2007 and ended on 31 December 2009. Upon expiry of the term, the mutual supply of raw materials, products and services agreement with Hengda Hong Kong will, subject to the requirements of the Listing Rules, be automatically renewed for a further period of three years.

On 9 June 2009, the Company revised the annual cap for the year ended 31 December 2009 under the mutual supply of raw materials, products and services agreement. Details of the transaction are set out in the announcement of the Company dated 9 June 2009 on the website of the Hong Kong Stock Exchange.

On 31 December 2009, the Company again entered into the mutual supply of raw materials, products and services agreement with Hengda Hong Kong, for a term of 3 years until 31 December 2012, and set the annual caps for the three years ending 31 December 2012. Details of the transaction are set out in the announcement of the Company dated 31 December 2009 on the website of the Hong Kong Stock Exchange.

Hengda Hong Kong is a substantial shareholder of Sinoma Hengda, a subsidiary of the Company, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, a) the annual cap on revenue from the provision of clinker as set out in (2) to Hengda Hong Kong Group by the Group for 2009 was approximately RMB100,000,000 and the actual amount was approximately RMB21,436,000; b) the annual cap on expenditure from the provision of raw materials and services as set out in (1) by Hengda Hongkong Group to the Group for 2009 was approximately RMB180,000,000 and the actual amount was approximately RMB116,708,000.

3.5 Mutual Comprehensive Services Agreement between the Company and the Parent

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

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

- water, electricity and heating;
- property management and maintenance services;
- equipment maintenance and repair;
- site preparation, exploration and exploitation services;
- equipment leasing services (including precious metal such as platinum with very high book value);
- design, consultancy and technology services;
- transportation services; and
- other related and ancillary services.

(2) The Group agreed to provide to the Parent Group:

- water, electricity 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, 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 commenced from 31 July 2007 and ended on 31 December 2009. Upon expiry of the term, the mutual comprehensive services agreement will, subject to the requirements of the Listing Rules, be automatically renewed for a further period of three years.

On 9 July 2009, the Company revised the annual cap for the year ended 31 December 2009 under the mutual comprehensive services agreement. Details of the transaction are set out in the announcement of the Company dated 9 July 2009 on the website of the Hong Kong Stock Exchange.

On 31 December 2009, the Company again entered into the mutual comprehensive services agreement with the Parent for a term of 3 years until 31 December 2012, and set the annual caps for the three years ending 31 December 2012. Details of the transactions are set out in the announcement of the Company dated 31 December 2009 on the website of the Hong Kong Stock Exchange.

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

During the reporting period, a) the annual cap for 2009 on revenue from the Group's provision to the Parent Group of comprehensive services stated above in (2) was approximately RMB80,000,000, while the actual amount was approximately RMB40,860,000; b) the annual cap for 2009 on expenses incurred for the Parent Group's provision to the Group of the comprehensive services stated above in (1) was approximately RMB65,000,000, while the actual amount was approximately RMB23,041,000.

3.6 Mutual Supply of Raw Materials and Products Agreement between the Company and Tianshan Group

On 23 November 2007, the Company entered into a mutual supply of raw materials and products agreement with Tianshan Group 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 ended 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 Listing Rules, be automatically renewed for a further period of three years.

On 14 April 2008, the Company revised the annual caps for the two years ended 31 December 2008 and 2009, respectively 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.

In order to regulate the transactions regarding the 2007 mutual supply of composite materials, glass fiber products and raw materials agreement between the Company and the Parent,s the 2007 mutual supply of raw materials and products and services agreement between the Company and Tianshan Group in 2007, and the mutual supply of raw materials and products services between other members of the Group and the Parent, on 31 December 2009, the Company entered into the 2009 mutual supply of raw materials and products agreement with the Parent, for a term of 3 years until 31 December 2012, and set the annual caps for the three years ending 31 December 2012. Details of the transaction are set out in the announcement of the Company dated 31 December 2009 on the website of the Hong Kong Stock Exchange.

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.

Tianshan Group is a promoter of the Company as well as a subsidiary of the Parent, and is therefore a connected person of the Company under the Listing Rules.

During the reporting period, a) the annual cap on revenue from the provision of cement to Tianshan Group by the Group for 2009 was approximately RMB40,000,000, while the actual amount was approximately RMB19,724,000; b) the annual cap for 2009 on expenditure incurred for the provision of products stated at (2) by Tianshan Group and/or its subsidiaries and/or associates to the Group for 2009 was approximately RMB50,000,000, while the actual amount was approximately RMB20,451,000.

3.7 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 and 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 be responsible for the whole 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 part 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 a further period of three years.

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.

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

During the reporting period, the annual cap for the agreements regarding the BOT project, the CDM project and the SEEG sub-contract project for 2009 was approximately RMB421,520,000, while the actual amount was approximately RMB53,752,000.

3.8 Supply Framework Agreement between Jiangxi Sinoma and LDK

On 26 June 2008, Jiangxi Sinoma, an indirect subsidiary of the Company, entered into a supply framework agreement with 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 method 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.

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

During the reporting period, the annual cap for the supply framework agreement for 2009 was approximately RMB400,000,000, while the actual amount was approximately RMB9,944,000.

3.9 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. 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 effective 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 a further period 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 prices.

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.

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

During the reporting period, the annual cap for the Liulihe Cooperation Framework Agreement for 2009 was approximately RMB80,000,000, while the actual amount was approximately RMB29,182,000.

3.10 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. 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 effective from 26 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 a further period of three years.

Pursuant to the Tongda 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 price. 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.

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

During the reporting period, the annual cap for the Tongda Cooperation Framework Agreement for 2009 was approximately RMB176,000,000, while the actual amount was approximately RMB55,397,000.

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 3.1 to 3.10 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 obtained 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 51 to the financial statements;

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

– The continuing connected transactions as disclosed in 3.1 to 3.10 did not exceed the relevant annual caps as disclosed in the respective announcements of the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 51 to the financial statements fall into the category of connected transactions or continuing connected transactions 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 Right

There is no pre-emptive right provision under the 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

In accordance with the Notice on Taxation of Dividends and Stock (Options) Transfer Income obtained by Foreign-invested Companies, Foreign Companies and Foreign Citizens (Guoshuifa No.045 [1993]) published by the State Administration of Taxation, foreign individuals holding H shares are exempted from paying individual income tax for dividends obtained from companies incorporated in PRC issuing the H shares.

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan No. 897 [2008]), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Non-resident enterprises may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving dividends. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company's H shares.

Material Legal Matters

On 17 December 2009, European Commission filed an anti-dumping investigation on certain glass and fiber products from China. Our subsidiaries CTG and Sinoma Jinjing were involved in the aforesaid investigation. If European Commission decides that dumping activities come into existence and such activities caused damages to the industrial competition in the European Union, anti-dumping duties in certain extent will be imposed on glass and fiber products sold by the PRC to the European Union. Sales of the relevant products exported by the above two subsidiaries to the European Union in 2009 represent 13% of their total sale revenues. The Company commenced the anti-dumping response under the coordination by relevant authorities such as China Association of Glass Fiber Industry.

Auditors

SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants have been appointed as the Hong Kong auditor and PRC auditor of the Company respectively for the year ended 31 December 2009. SHINEWING (HK) CPA Limited has audited the accompanying financial statements that are prepared in accordance with Hong Kong Financial Reporting Standards. These two auditors have been appointed since our 2008 annual report afterwards.

Supervisory Committee's Report

During the reporting period, 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 and 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 fifth meeting of the first session of the Supervisory Committee commenced on 14 April 2009, the Company's annual report, the audited financial report, the annual profit distribution proposal and the 2008 Supervisory Committee's report were considered and approved. At the sixth meeting of the first session of the Supervisory Committee commenced on 15 September 2009, the 2009 interim report of the Company was considered and approved. Supervisor Wang Baoguo and Zhang Lirong authorised Xu Weibing, chairman of the Supervisory Committee, Supervisor Wang Jijun authorised Supervisor Wang Jianguo, to attend the fifth meeting of the first session of the Supervisory Committee and exercise the voting rights on their behalves. Supervisors Wang Jianguo and Zhang Lirong authorised Xu Weibing, chairman of the Supervisory Committee, to attend the sixth meeting of the first session of the Supervisory Committee and exercise the voting rights on their behalves. All of the other Supervisors 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, and also reviewed the proposals which have been submitted to the Board for consideration. The Supervisors supervised the Company's major decision-making processes and the performance of duties by the members of the Board 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 Group, the auditor's report of the Group and confirmed that the accounts and audit work of the Group were in compliance with the requirements of Accounting Law of PRC, 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 report for 2009 to be submitted by the Board to the general meeting and audited by the independent auditor without 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 reasonable and in the interests of the other shareholders and the Company as a whole. The Directors, president and 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 employees of the Company has been identified.

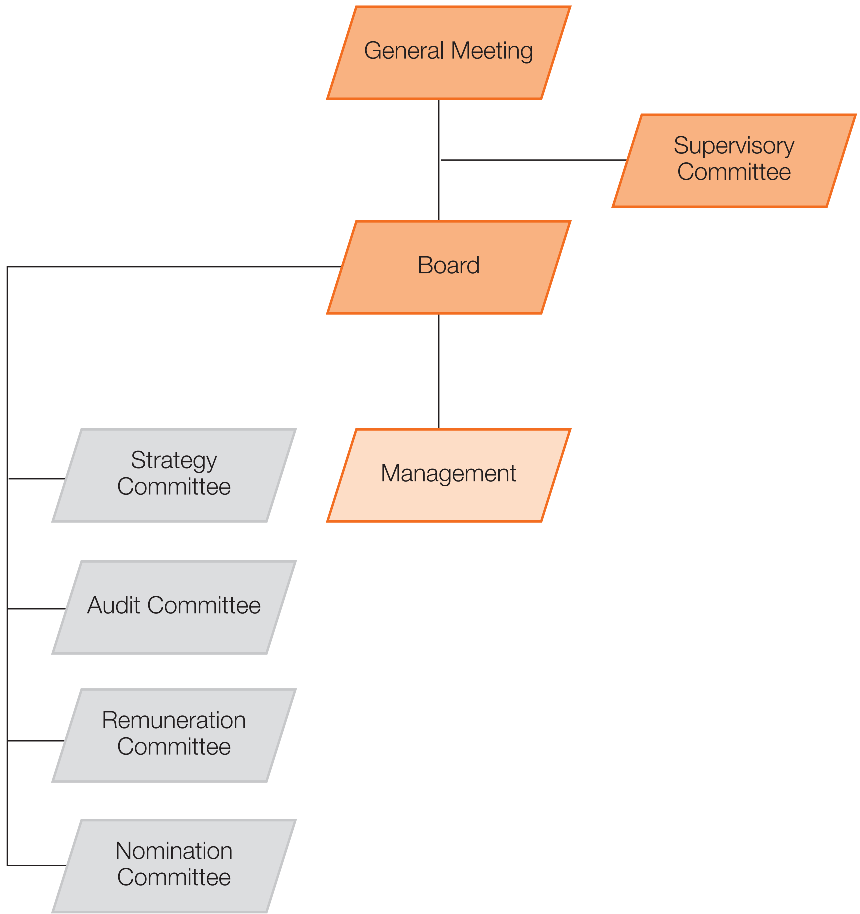
The Supervisory Committee is confident with the development prospects of the Company. In 2010, the Supervisory Committee will continue to perform all its duties to protect the interests of the shareholders in strict accordance with the Articles of Association of the Company and relevant requirements.

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 standard documents 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 the Board
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 Auditing
14. Financial Management System

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 on 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 2009, 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 for Securities Transactions by Directors and Listed Issuers ("**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 2009.

During the reporting period, the Company amended once to the Articles of Association, details of which are set out below:

1. At the extraordinary general meeting held on 24 December 2009, the following amendments to the Articles of Association were considered and approved:

   (1) The Company's enterprise legal person business license number under Article 1(2) of the Articles of Association has been changed from "1000001000610" to "100000000006109";

   (2) The Company's telephone and fax numbers under Article 3 of the Articles of Association have been removed;

   (3) The Company's authorised operational projects under Article 10 of the Articles of Association have been amended from "the assignment abroad of labour services as required by the overseas installation projects (valid until 17 October 2012)" to "the assignment abroad of labour services as required by the overseas installation projects in building materials industry (valid until 17 October 2012)".

   (4) Article 69 of the Articles of Association was originally read as:

   "The chairman of the board of directors shall convene and preside over each general meeting of shareholders. In the event that the chairman is unable to attend the meeting for any reason, the board of directors may designate a director to convene and preside over the meeting on his behalf. In the event that no chairman of the meeting is so designated, the attending shareholders shall elect one (1) person to act as the chairman of the meeting. In the event that, for any reasons, the shareholders fail to elect a chairman, then the shareholder holding the largest number of voting shares present in person or by proxy shall be the chairman of the meeting."

   has been amended as follows:

   "The chairman of the board of directors shall convene and preside over each general meeting of shareholders. In the event that the chairman is unable to attend the meeting for any reason, the vice-chairman shall act as the chairman of the meeting; in the event that the vice-chairman is unable to attend the meeting for any reason, the board of directors may designate a director to convene and preside over the meeting on his behalf. In the event that no chairman of the meeting is so designated, the attending shareholders shall elect one (1) person to act as the chairman of the meeting. In the event that, for any reasons, the shareholders fail to elect a chairman, then the shareholder holding the largest number of voting shares present in person or by proxy shall be the chairman of the meeting."

(5) Article 97 of the Articles of Association was originally read as:

"The Company shall have a board of directors, consisting of nine (9) directors (including four (4) independent directors).

The board of directors shall have one (1) chairman. The chairman shall be elected and removed by more than one-half of the members of the board of directors. The term of office of the chairman shall be three (3) years, whose term is renewable upon re-election.

The chairman, vice-chairman and executive director of the controlling shareholder who also serve as the Chairman and executive Director of the Company shall not be more than two (2)."

has been amended as follows:

"The Company shall have a board of directors, consisting of eleven (11) directors (including five (5) independent directors).

The board of directors shall have one (1) chairman and one (1) vice-chairman. The chairman and vice-chairman shall be elected and removed by more than one-half of the members of the board of directors. The term of office of the chairman and vice-chairman shall be three (3) years, whose term is renewable upon re-election.

The Chairman, vice-chairman and executive director of the controlling shareholder who also serve as the chairman, vice-chairman and executive Director of the Company shall not be more than two (2)."

(6) Article 101 Paragraph 1(6) & Paragraph 2 of the Articles of Association was originally read as:

"The chairman of the board of directors shall exercise the following functions and powers:

1(6). to propose the list of the president and the secretary to the board of directors of the Company.

2. Should the chairman is unable to exercise his functions or powers, a director shall be designated to exercise such functions and powers by one-half of the directors."

has been amended as follows:

"The chairman of the board of directors shall exercise the following functions and powers:

1(6). to propose the list of vice chairman, the president and the secretary to the board of directors of the Company.

2. Should the chairman is unable to exercise his functions or powers, the vice-chairman shall exercise such functions or powers; should the vice-chairman is unable to exercise such functions or power, a director shall be designated to exercise such functions and powers by one-half of the directors."

(7) Article 103 Paragraph 2 of the Articles of Association was originally read as:

"Notice of regular meetings of the board of the directors shall be given to the directors, the supervisors and the president ten (10) days prior to the meetings, and five (5) days prior to all other meetings."

has been amended as follows:

"Notice of regular meetings of the board of the directors shall be given to the directors, the supervisors and the president fourteen (14) days prior to the meetings, and five (5) days prior to all other meetings."

(8) Article 157 of the Articles of Association was originally read as:

"Unless provided by relevant laws and regulations, to pay cash dividends and other payment, the applicable exchange rate shall be the average selling price of the relevant foreign currencies announced by People's Bank of China during the calendar week prior to the payment of dividends and other amounts."

has been amended as follows:

"Unless provided by relevant laws and regulations, to pay cash dividends and other payment, the applicable exchange rate shall be the average price of central parity rate of Renminbi against the relevant foreign currencies announced by People's Bank of China during the calendar week prior to the payment of dividends and other amounts."

Board of Directors

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

Name	Position	Gender	Age	Term
TAN Zhongming	Chairman of the Board and executive Director	M	56	26 July 2007 to 25 July 2010
ZHOU Yuxian	Non-executive Director Executive Director and president	M	46	26 July 2007 to 27 March 2009 27 March 2009 to 25 July 2010
LI Xinhua	Vice chairman of the Board and executive Director	M	45	24 December 2009 to 25 July 2010
YU Shiliang	Executive Director and president Non-executive Director	M	55	26 July 2007 to 27 March 2009 27 March 2009 to 25 July 2010
LIU Zhijiang	Non-executive Director	M	52	26 July 2007 to 25 July 2010
CHEN Xiaozhou	Non-executive Director	M	48	26 July 2007 to 25 July 2010
YANG Yuzhong	Independent non-executive Director	M	65	26 July 2007 to 24 December 2009
ZHANG Lailiang	Independent non-executive Director	M	62	26 July 2007 to 24 December 2009
ZHANG Qiusheng	Independent non-executive Director	M	41	26 July 2007 to 24 December 2009
LEUNG Chong Shun	Independent non-executive Director	M	44	26 July 2007 to 25 July 2010
TONG Anyan	Independent non-executive Director	M	64	24 December 2009 to 25 July 2010
SHI Chungui	Independent non-executive Director	M	69	24 December 2009 to 25 July 2010
LU Zhengfei	Independent non-executive Director	M	46	24 December 2009 to 25 July 2010
WANG Shimin	Independent non-executive Director	M	61	24 December 2009 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 take 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 cashflow during the relevant period. When preparing the financial statements for the year ended 31 December 2009, 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.

During the reporting period, Mr. Tan Zhongming served as the chairman of the Board, Mr. Yu Shiliang served as the president until 27 March 2009 and Mr. Zhou Yuxian thereafter. Chairman of the Board 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 of the Board and the president shall be made clearly in the written terms of reference. The chairman of the Board is responsible for managing the operation of the Board while the president is responsible for the business operation of the Company. The Articles of Association of the Company has described in detail the respective responsibilities of the chairman of the Board 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 ten Board meetings were convened during 2009. 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	9	1	90%
YU Shiliang	9	1	90%
LIU Zhijiang	10	0	100%
ZHOU Yuxian	10	0	100%
LI Xinhua Note 2	1	0	100%
CHEN Xiaozhou	8	2	80%
YANG Yuzhong Note 1	9	0	100%
ZHANG Lailiang Note 1	9	0	100%
ZHANG Qiusheng Note 1	8	1	89%
LEUNG Chong Shun	9	1	90%
TONG Anyan Note 2	1	0	100%
SHI Chungui Note 2	1	0	100%
LU Zhengfei Note 2	1	0	100%
WANG Shimin Note 2	1	0	100%

Note 1: Mr. YANG Yuzhong, Mr. ZHANG Lailiang and Mr. ZHANG Qiusheng resigned as the independent non-executive Directors, with effect from 24 December 2009. There were 9 Board meetings in total convened before 24 December 2009.

Note 2: Mr. TONG Anyan, Mr. SHI Chungui, Mr. LU Zhengfei and Mr. WANG Shimin were appointed as the independent non-executive Directors, with effect from 24 December 2009. Mr. LI Xinhua was appointed as the executive Director of the Company on 24 December 2009 and attended all the Board meetings convened hereafter.

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.

In accordance with the requirements of the Listing Rules, 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 is of the view that all the independent non-executive Directors are independent parties.

Each of the independent non-executive Directors has a term of office of 3 years and is eligible for re-election and re-appointment subject to a maximum period of six years. 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 any independent non-executive Director.

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 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 2009.

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

Strategy Committee

At the 29th meeting of the first session of the Board held on 24 December 2009, the resolution in relation to the adjustment of the composition of Board committees was approved, whereby the composition of the Strategy Committee had been adjusted. Prior to the adjustment, the Strategy Committee comprised Mr. Tan Zhongming (chairman), Mr. Yu Shiliang, Mr. Liu Zhijiang, Mr. Zhou Yuxian, Mr. Yang Yuzhong and Mr. Chen Xiaozhou. The Strategy Committee comprises Mr. Tan Zhongming (chairman), Mr. Yu Shiliang, Mr. Liu Zhijiang, Mr. Zhou Yuxian, Mr. Chen Xiaozhou, Mr. Li Xinhua and Mr. Tong Anyan following the adjustment. 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 draft investment plan of the Company. All members of the Strategy Committee prior to the adjustment attended the meeting.

Audit Committee

At the 29th meeting of the first session of the Board held on 24 December 2009, the resolution in relation to the adjustment of the composition of Board committees was approved, whereby the composition of the Audit Committee had been adjusted. Prior to the adjustment, the Audit Committee comprised Mr. Zhang Qiusheng (chairman), Mr. Zhang Lailiang and Mr. Liu Zhijiang. The Audit Committee comprises Mr. Lu Zhengfei (chairman), Mr. Wang Shimin and Mr. Liu Zhijiang following the adjustment. 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 2009, 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 three meetings, details of which are set out below:

The 5th meeting of the Audit Committee of the first session of the Board was held on 22 January 2009 to (1) hear and consider the Company's internal control audit plan for 2009; (2) hear and consider the auditing plan of SHINEWING (HK) CPA Limited for auditing the 2008 annual report; examine the independence and objectivity of the external auditors.

The 6th meeting of the Audit Committee of the first session of the Board was held on 10 April 2009 to (1)hear and consider the proposal in relation to the audit fees for 2008; (2) hear the report on auditing of 2008 annual financial report by SHINEWING (HK) CPA Limited; (3) consider the proposal in relation to the submission of the 2008 annual financial report to the Board; (4) hear and consider the proposal in relation to the re-appointment of ShineWing Certified Public Accountants and SHINEWING (HK) CPA Limited as domestic and international auditors for 2009 respectively.

The 7th meeting of the Audit Committee of the first session of the Board was held on 11 September 2009 to (1) consider and determine the review fees for the 2009 interim financial report; (2) hear the report on reviewing of the 2009 interim financial report by SHINEWING (HK) CPA Limited; (3) consider the proposal in relation to the submission of the 2009 interim financial report to the Board.

All members of the Audit Committee prior to the adjustment attended these meetings, except Mr. Liu Zhijiang authorised Mr. Zhang Lailiang as his proxy to attend the 6th meeting of the Audit Committee of the first session of the Board.

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 2009, the Company has 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.

The Audit Committee has reviewed the Company's 2009 interim financial statements and the audited financial statements for the year 2009.

At the 6th meeting of the Audit Committee of the first session of the Board, it was approved to appoint SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants as the HK auditor and PRC auditor for the year 2009, respectively.

Remuneration Committee

At the 29th meeting of the first session of the Board held on 24 December 2009, the resolution in relation to the adjustment of the composition of Board committees was approved, whereby the composition of the Remuneration Committee had been adjusted. Prior to the adjustment, the Remuneration Committee comprised Mr. Zhang Lailiang (chairman), Mr. Zhang Qiusheng and Mr. Leung Chong Shun. The Remuneration Committee comprises Mr. Shi Chungui (chairman), Mr. Leung Chong Shun and Mr. Lu Zhengfei following the adjustment.

The primary duties of the Remuneration Committee include the determination and reviewing 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 2nd meeting of the Remuneration Committee of the first session of the Board was held on 10 April 2009. Mr. Zhang Lailiang and Mr. Leung Chong Shun attended the meeting in person, and Mr. Zhang Qiusheng authorised Mr. Zhang Lailiang as his proxy to attend the meeting. At the meeting, (1) the proposal in relation to the distribution of the performance remuneration of senior management for 2008 was heard and considered; (2) the proposal in relation to the management rules of remuneration for senior management was heard and considered; (3) the proposal in relation to the remuneration plan for senior management for 2009 was heard and considered.

Nomination Committee

At the 29th meeting of the first session of the Board held on 24 December 2009, the resolution in relation to the adjustment of the composition of Board committees were considered and approved, whereby the composition of the Nomination Committee had been adjusted. Prior to the adjustment, the Nomination Committee comprised Mr. Tan Zhongming (chairman), Mr. Yu Shiliang, Mr. Liu Zhijiang and Mr. Zhou Yuxian. The Nomination Committee comprises Mr. Yu Shiliang (chairman), Mr. Tan Zhongming, Mr. Liu Zhijiang and Mr. Zhou Yuxian following the adjustment. The Nomination Committee is responsible for reviewing the structure, numbers and composition 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; and making recommendations to the Board in respect of the candidates for Directors and Supervisors who are not employee representatives in the wholly-owned companies, holding companies and joint stock companies of the Company. .

During the reporting period, the Nomination Committee held 6 meetings, details of which are set out below:

The 5th Meeting of the Nomination Committee of first session the Board was convened on 9 January 2009, at which the proposal in relation to the appointments of directors and supervisors for Henan Sinoma Environmental was considered.

The 6th Meeting of the Nomination Committee of the first session Board was convened on 8 March 2009, at which the proposal in relation to the recommendation of directors and supervisors to Sinoma Advanced Materials and Xiamen Standard Sand was considered.

The 7th Meeting of the Nomination Committee of first session the Board was convened on 2 June 2009, at which the proposal in relation to the appointment of directors and supervisors to Ningxia Building Materials was considered.

The 8th Meeting of the Nomination Committee of first session the Board was convened on 16 June 2009, at which the proposal in relation to the adjustment of certain directors and supervisors of certain subordinate units of the Company, and the proposal in relation to the recommendation of three directors to Qilianshan Co., joint venture company were considered.

The 9th Meeting of the Nomination Committee of first session the Board was convened on 14 September 2009, at which the proposal in relation to the recommendation of directors and supervisors to Sinoma Jinjing was considered.

The 10th Meeting of the Nomination Committee of first session the Board was convened on 26 October 2009, at which the proposal in relation to the adjustment of Directors and senior management of the Company was considered Committee attended the above six meetings.

All members of the Nomination Committee attended the above six meetings.

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 candidates for directorship according to the requirements of the Articles of Association.

Auditor's Remuneration

The Company appointed SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants as the HK auditor and PRC auditor of the Company for 2009, respectively and authorised the Audit Committee to fix their remuneration. The Company's annual audit fees for the year ended 31 December 2009 amounted to approximately RMB8.1 million.

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 six 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 the following documents such as "Management System for Information Disclosure", "Management System for Connected Transactions", "Management System for Investor Relations", "Working System for Independent Directors" and "Financial Management System", "Rules of Internal Auditing" and "Internal Control Audit Method", thus establishing the internal control system.

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 2009, 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 objectives set by the Company, during the operation of 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 or 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 risk-related key control activities were identified and the control measures were improved or perfected along the key control points. In 2009, the headquarter of the Company and two subsidiaries, Sinoma International and CTG, launched the establishment of their all-around risk management systems. Under the guidance and assistance of the external professional organization, the Company and the two subsidiaries organized officers 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. In order to establish the long-term mechanism related to risk management of sound risk management and internal control for the Company and its subsidiaries, and in accordance with the overall idea of "from the points to surface, step by step, progressive deepening", the Company launched the establishment of its comprehensive risk management system in 2009, in order to practically enhance its capability of the prevention and control of risks, and strengthen its enterprise competitiveness.

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 Listing Rules, 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.

Internal Audit Unit

An independent audit department has been established to be responsible for the internal auditing.

During the reporting period, with the aim of building a risk-based First-Class Auditing Management System, the Company attached great importance to financial responsibilities auditing and special internal control auditing by emphasizing on the auditing and supervision of key risks, key fields and key subsidiaries.

Firstly, the Company has fully and strictly implemented six auditing systems and regulated the implementation of internal auditing with the support of these sound systems. In accordance with the principles of "Responsibility at each level under common leadership", "Whoever appoints, whoever audits", "Whoever supervises, audits; whoever implements, audits", "Auditing grows along with business", adopting various methods including direct auditing by internal audit organizations or by certified professional intermediaries to carry out a comprehensive auditing for subsidiaries in order to enhance the level of its overall internal auditing.

Secondly, the Company has further deepened its financial responsibility auditing. In accordance with the Provisional Rules of Financial Responsibility Auditing for State-owned Enterprises Owned by Central Government and the Implementation Rules of Financial Responsibility Auditing for State-owned Enterprises Owned by Central Government issued by the Stated-owned Assets Supervision and Administration Commission of the State Council and based on the characteristics of economy development and supervision focuses in the first half of the year, the Company has identified 13 key auditing fields and 16 key auditing targets. By auditing the truthfulness of the results of operation, the compliance of financial income and expenses, the changes in asset quality, the major operation decision-makings, the implementation of national laws and regulations, the changes in the results of operation and internal control, the Company has determined the results of operation and financial responsibilities of subsidiaries, finding out the weak links on management and control and formulating opinions on rectification and deploying task on rectification in order to strengthen the management of internal control and achieve the goal to improve economic benefits.

Thirdly, the Company has put great effort into special internal control auditing. It conducted special auditing on procurement and sales based on weakness identified during the internal control auditing for the previous year. The Company has issued opinions on rectification of weakness on principal risk management and supervised its implementation through auditing.

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 six shareholders' general meetings at which major matters of the Company were considered (such as profit distribution, issue of medium-term notes, connected transactions, amendments to the Articles of Association, change of Directors and Supervisors 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 received 567 visits from investment organizations and dealt with more than 8,000 correspondences from investors, participated in eight large investor summits organized by Morgan Stanley, Merrill Lynch, Citi Group, Deutsche Bank, BNP Paribas, Credit Suisse, CLSA, etc.; and ran two non-deal roadshows, communicated with 122 investment organizations (from 199 individuals). 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 publish its announcements, circulars and news releases on its website at www.sinoma-ltd.cn.

To provide more 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 65 to 196, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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 2009 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
6 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	8	**30,367,972**	25,244,819
Cost of sales		**(24,969,401)**	(20,687,372)
Gross profit		**5,398,571**	4,557,447
Interest income	10	**253,774**	196,622
Other gains	11	**774,777**	599,615
Selling and marketing expenses		**(824,932)**	(730,845)
Administrative expenses		**(2,451,188)**	(1,773,273)
Exchange loss	12	**(11,551)**	(238,185)
Other expenses	13	**(115,631)**	(277,160)
Finance costs	14	**(626,226)**	(593,127)
Share of results of associates		**46,120**	30,987
Profit before tax		**2,443,714**	1,772,081
Income tax expense	15	**(446,190)**	(251,737)
Profit for the year	16	**1,997,524**	1,520,344
Profit for the year attributable to:			
Owners of the Company		**719,504**	564,556
Minority interests		**1,278,020**	955,788
		1,997,524	1,520,344
Earnings per share – basic and diluted (expressed in RMB per share)	20	**0.201**	0.158

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 **RMB'000**	2008 RMB'000
Profit for the year	**1,997,524**	1,520,344
Other comprehensive income (expenses)		
Safety fund set aside	**74,791**	—
Exchange differences arising on translation	**9,178**	(8,071)
Gain on fair value changes of available-for-sale financial assets	**1,942,593**	4,027
Reversal of gain on fair value change of an available-for-sale financial asset upon transfer to investment in an associate	**(278,300)**	—
Income tax relating to components of other comprehensive income	**(388,459)**	(586)
Other comprehensive income (expenses) for the year (net of tax)	**1,359,803**	(4,630)
Total comprehensive income for the year	**3,357,327**	1,515,714
Total comprehensive income attributable to:		
Owners of the Company	**1,898,101**	563,923
Minority interests	**1,459,226**	951,791
	3,357,327	1,515,714

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	21	**18,538,699**	15,079,887
Prepaid lease payments	22	**2,010,748**	1,646,696
Investment properties	23	**126,758**	102,157
Intangible assets	24	**151,717**	161,634
Mining rights	26	**146,476**	56,335
Interests in associates	28	**765,119**	207,250
Available-for-sale financial assets	29	**2,167,356**	503,563
Derivative financial instruments	30	**—**	15,051
Trade and other receivables	33	**68,424**	68,450
Deposits paid for acquisition of subsidiaries	31	**632,770**	300,000
Other non-current assets		**132,852**	77,445
Deferred income tax assets	43	**261,911**	233,831
		25,002,830	18,452,299
Current assets			
Inventories	32	**4,539,818**	4,014,732
Trade and other receivables	33	**8,285,598**	6,706,953
Amounts due from customers for contract work	34	**168,261**	430,699
Prepaid lease payments	22	**67,447**	61,391
Derivative financial instruments	30	**13,550**	6,455
Other current assets		**42,927**	125,637
Restricted bank balances	35	**1,561,888**	4,594,524
Bank balances and cash	36	**10,077,924**	10,252,386
		24,757,413	26,192,777
Current liabilities			
Trade and other payables	37	**19,395,443**	18,217,339
Amounts due to customers for contract work	34	**405,084**	505,121
Derivative financial instruments	30	**648**	3,882
Income tax liabilities		**192,463**	171,256
Borrowings	38	**5,439,633**	7,854,270
Early retirement and supplementary benefit obligations	39	**20,479**	21,108
Provisions	40	**—**	35,847
		25,453,750	26,808,823
Net current liabilities		**(696,337)**	(616,046)
Total assets less current liabilities		**24,306,493**	17,836,253

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Trade and other payables	37	**1,438**	4,755
Derivative financial instruments	30	**4,586**	48,855
Corporate bonds	41	**2,483,381**	—
Borrowings	38	**6,863,743**	4,930,131
Deferred income	42	**312,081**	339,080
Early retirement and supplementary benefit obligations	39	**142,693**	142,573
Deferred income tax liabilities	43	**533,514**	155,132
		10,341,436	5,620,526
NET ASSETS		**13,965,057**	12,215,727
Capital and reserves			
Share capital	44	**3,571,464**	3,571,464
Reserves	45	**4,692,600**	3,222,166
Equity attributable to owners of the Company		**8,264,064**	6,793,630
Minority interests		**5,700,993**	5,422,097
TOTAL EQUITY		**13,965,057**	12,215,727

The consolidated financial statements on pages 65 to 196 were approved and authorised for issuance by the board of directors on 6 April 2010 and are signed on its behalf by:

TAN Zhongming *Director*	**ZHOU Yuxian** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Safety fund RMB'000 (Note (i))	Foreign exchange reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note (ii))	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	3,431,708	2,847,953	(463,684)	13,607	—	1,571	—	91,936	183,670	6,106,761	3,974,468	10,081,229
Total comprehensive income for the year	—	—	—	—	—	(4,074)	3,441	—	564,556	563,923	951,791	1,515,714
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	(517,148)	(517,148)
Contributions received 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)
Issue of new shares through the exercise of over-allocation option	139,756	445,762	—	—	—	—	—	—	—	585,518	—	585,518
Share issued expenses on over-allocation option	—	(20,555)	—	—	—	—	—	—	—	(20,555)	—	(20,555)
Appropriation to statutory surplus reserve	—	—	—	16,590	—	—	—	—	(16,590)	—	—	—
At 31 December 2008 and 1 January 2009	**3,571,464**	**3,273,160**	**(942,833)**	**30,197**	**—**	**(2,503)**	**3,441**	**129,068**	**731,636**	**6,793,630**	**5,422,097**	**12,215,727**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**48,730**	**3,498**	**1,126,369**	**—**	**719,504**	**1,898,101**	**1,459,226**	**3,357,327**
Dividends paid to minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(337,936)**	**(337,936)**
Contributions received from minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**82,989**	**82,989**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,900**	**4,900**
Transactions with minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(356,238)**	**—**	**(356,238)**	**(930,283)**	**(1,286,521)**
Dividend recognised as distribution	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(71,429)**	**(71,429)**	**—**	**(71,429)**
Appropriation to statutory surplus reserve	**—**	**—**	**—**	**15,644**	**—**	**—**	**—**	**—**	**(15,644)**	**—**	**—**	**—**
At 31 December 2009	**3,571,464**	**3,273,160**	**(942,833)**	**45,841**	**48,730**	**995**	**1,129,810**	**(227,170)**	**1,364,067**	**8,264,064**	**5,700,993**	**13,965,057**

Notes:

(i) Pursuant to certain regulations issued by the State Administration of Work Safety of the People's Republic of China (the "PRC"), the Group is required to set aside an amount to a safety fund. The fund can be used for improvements of safety at the mines and construction sites, and is not available for distribution to owners.

(ii) Other reserves mainly comprise of reserves from transactions with the minority interests and deemed contributions from owners of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,443,714**	1,772,081
Adjustments for:		
Allowance for inventories	**24,009**	83,386
Amortisation of intangible assets	**29,382**	31,901
Amortisation of mining rights	**11,564**	4,279
Amortisation of prepaid lease payments	**63,430**	44,727
Depreciation of property, plant and equipment and investment properties	**1,013,140**	967,716
Dividend income on available-for-sale financial assets	**(13,346)**	(8,386)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition	**(881)**	—
Finance costs	**626,226**	593,127
Foreseeable losses on construction contracts	**16,343**	905
Gain on deemed disposal of an associate	**—**	(8,576)
Gain on disposals of prepaid lease payments	**—**	(28,561)
Government grants	**(160,267)**	(29,168)
Impairment loss recognised in respect of property, plant and equipment	**68,067**	6,846
Impairment loss recognised in respect of intangible assets	**—**	9,068
Impairment loss recognised in respect of available-for-sales financial assets	**—**	4,710
Impairment loss recognised in respect of trade receivables	**70,900**	89,998
Impairment loss recognised in respect of other receivables	**1,175**	43,765
Impairment loss recognised in respect of loan receivables	**9,624**	4,477
Interest income	**(253,774)**	(196,622)
Loss on disposal of an available-for-sale financial asset	**9**	—
Net change in fair value of derivative financial instruments	**(42,120)**	31,231
Net loss arising from foreign currency forward contracts	**70,574**	—
Net loss arising from interest rate swap contracts	**4,768**	—
Net loss on disposals of property, plant and equipment	**3,511**	24,588
Reversal of allowance for inventories	**(4,154)**	(1,317)
Reversal of provision upon settlement	**(10,747)**	—
Safety fund set aside	**74,791**	—
Share of results of associates	**(46,120)**	(30,987)
Utilisation / amortisation of government grants	**(172,135)**	(116,224)
Waiver on other payables	**(2,529)**	(17,645)
Operating cash flows before movements in working capital	**3,825,154**	3,275,319
Increase in inventories	**(540,357)**	(1,318,825)
Increase in trade and other receivables	**(1,632,308)**	(1,266,362)
Decrease in contracts work-in-progress	**146,058**	227,965
Decrease in other current and non-current assets	**27,303**	73,096
Increase in trade and other payables	**1,151,150**	5,455,520
(Decrease) increase in provisions	**(25,100)**	10,616
Decrease in early retirement and supplemental benefit obligations	**(509)**	(25,189)
Cash generated from operations	**2,951,391**	6,432,140
Income tax paid	**(463,151)**	(473,435)
NET CASH FROM OPERATING ACTIVITIES	**2,488,240**	5,958,705

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,634,686)**	(4,193,122)
Payments for acquisition of additional equity interests in subsidiaries		**(1,286,521)**	(480,175)
Increase in investments in associates		**(520,712)**	—
Purchase of prepaid lease payments		**(431,038)**	(255,157)
Increase in deposits paid for acquisition of subsidiaries		**(332,770)**	(300,000)
Purchase of mining rights		**(101,705)**	(8,591)
Payments for net loss arising from foreign currency forward contracts		**(68,001)**	—
Purchase of investment properties		**(38,176)**	(2,299)
Increase in loan receivables		**(28,031)**	(77,598)
Purchase of intangible assets		**(19,465)**	(23,860)
Payments for net loss arising from interest rate swap contracts		**(4,768)**	—
Net cash outflow on disposals of subsidiaries	47	**(168)**	—
Decrease (increase) in restricted bank balances		**3,032,636**	(3,085,405)
Interest received on bank deposits and loan receivables		**253,774**	196,622
Proceeds from disposals of property, plant and equipment		**158,991**	106,817
Dividends received on available-for-sale financial assets		**13,346**	8,386
Dividends received from associates		**5,468**	24,002
Payments for acquisition of subsidiaries, net of cash and cash equivalent acquired	46	**1,916**	(163,644)
Proceeds from disposals of available-for-sale financial assets		**491**	12,192
Payments for common control business combination		**—**	(33,984)
Proceeds from disposals of prepaid lease payments		**—**	54,478
NET CASH USED IN INVESTING ACTIVITIES		**(3,999,419)**	(8,221,338)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
FINANCING ACTIVITIES		
Proceeds from new borrowings	**12,245,994**	8,147,697
Gross proceeds from issuance of corporate bonds	**2,500,000**	—
Government grants received	**305,403**	167,925
Contributions received from minority interests	**82,989**	660,490
Repayments of borrowings	**(12,772,779)**	(4,021,542)
Interest paid	**(566,302)**	(666,193)
Dividends paid to minority interests	**(378,837)**	(517,148)
Dividends paid	**(71,429)**	(553,834)
Disbursement of incremental costs directly attributable to issuance of corporate bonds	**(17,500)**	—
Gross proceeds from issuance of new shares	**—**	585,518
Contributions received from former shareholders of subsidiaries	**—**	44,263
Disbursement of incremental costs directly attributable to issuance of shares upon listing	**—**	(69,498)
Shares issued expenses on over-allocation option	**—**	(20,555)
Dividends paid to former shareholders of subsidiaries	**—**	(7,855)
NET CASH FROM FINANCING ACTIVITIES	**1,327,539**	3,749,268
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(183,640)**	1,486,635
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,252,386**	8,780,132
Effect of foreign exchange rate changes	**9,178**	(14,381)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**10,077,924**	10,252,386

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 Ltd. (formerly known as "China National Materials Group Corporation") ("Sinoma Group"). 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, Xicheng District, 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 provision of cement equipment and engineering services, production and sales of cement and high-tech materials. Particulars of the Company's principal subsidiaries are set out in Note 53(a).

2. BASIS OF PREPARATION AND PRESENTATION

2.1 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 30.40% 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 Group 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 Building Materials. Details of the acquisition were set out in the Company's circular 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 30.40% 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 Group supervises and manages the Company and Ningxia Building Materials and Sinoma Group is the single largest controlling shareholder which held 41.84% and 69.60% equity interests in the Company and Ningxia Building Materials, respectively prior to the completion date of the acquisition and throughout the year ended 31 December 2008, Sinoma Group has de facto control over the Company and Ningxia Building Materials during the year ended 31 December 2008. The Company and Ningxia Building Materials are both under the control of Sinoma Group, and thus regarded as different entities under common control. Accordingly, the acquisition of 19.66% equity interests in Ningxia Building Materials through the capital injection was a common control combination. The consolidated financial statements for the year ended 31 December 2008 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 (the "HKICPA"), assumed that the structure of the Group has been in existence since the date (1 January 2007) when the Company and Ningxia Building Materials first came under the control of Sinoma Group.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

2.1 Business combination under common control (Continued)

(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. Details of the acquisition were set out in the Company's announcement 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 Group since its date of incorporation, the Company and Xi'an Engineering are both under the control of Sinoma Group, 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. The consolidated financial statements for the year ended 31 December 2008 have been prepared using the principles of merger accounting, as prescribed in AG 5 issued by the HKICPA, assumed that the structure of the Group has been in existence since the date (28 December 2001) when the Company and Xi'an Engineering first came under the control of Sinoma Group.

2.2 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 RMB696,337,000 as at 31 December 2009.

In the opinion of the directors of the Company, the Group should be able to maintain itself as a going concern in the next twelve months from 31 December 2009 by taking into consideration the issuance of the medium-term notes.

On 10 March 2010, the Company issued the first tranche of the 2010 medium-term notes ("Medium-term Notes") amounted to RMB1,700,000,000 with a term of five years. Details of which are set out in Note 52(b).

Details of the issuance of the Medium-term Notes were set out in the Company's announcement dated 11 March 2010.

On the basis that the issuance of the Medium-term Notes will provide a cash inflow with a view to improve its working capital position and net financial position, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2009. Accordingly, the directors of the Company 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 new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs had no material effects on the consolidated financial statements of the Group for the current or prior accounting periods.

<u>New and revised HKFRSs affecting presentation and disclosure only</u>

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 9) and changes in the basis of measurement of segment results, segment assets and segment liabilities.

Improving Disclosure about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issue[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2011.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 January 2010.

[6] Effective for annual periods beginning on or after 1 July 2010.

[7] Effective for annual periods beginning on or after 1 January 2013.

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

The application 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.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principal set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

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 intra-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 interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and 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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

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.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business (see above).

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 profit or loss in the period 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 statement of financial position as prepaid lease payments and are expensed in the consolidated income statement on a straight-line basis over the periods of the respective leases.

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. Depreciation is charged to write off cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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 profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost 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 profit or loss in the period 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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset as that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefit;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 (if any), on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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).

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 end of the reporting period, 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 the amount can be measured reliably and its receipt is considered probable.

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 statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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 ("FVTPL")) 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 FVTPL 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 to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment losses 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 FVTPL, held-to-maturity investments or loans and receivables.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment losses 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 the end of each reporting period (see accounting policy in respect of impairment losses on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment losses on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 to 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.

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 other comprehensive income and accumulated in investment revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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, borrowings and corporate bonds 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 the end of each reporting period. The resulting gain or loss is recognised in profit or loss 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.

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 FVTPL 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".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 in other comprehensive income 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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign exchange reserve).

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.

Deposits and instalments received from purchasers prior to meeting of above criteria on revenue recognition are included in the statement of financial position under current liabilities.

(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 end of the reporting period 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 the amount can be measured reliably and its receipt is considered probable.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(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 on initial recognition.

(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.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets until such time as the assets are substantially ready for their intended used 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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the income tax currently payable and deferred income 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 income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised on temporary 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. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which temporary 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 income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures and associates, 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. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period 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 income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred income tax is also recognised in other comprehensive income or directly in equity respectively.

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 statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee 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 end of the reporting period 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.

(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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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 the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

5. FINANCIAL INSTRUMENTS

5.1 Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Derivative financial instruments	**13,550**	21,506
Loans and receivables (including cash and cash equivalents)	**15,703,347**	17,759,095
Available-for-sale financial assets	**2,167,356**	503,563
	17,884,253	18,284,164
Financial liabilities		
Derivative financial instruments	**5,234**	52,737
Amortised cost	**23,625,342**	20,284,038
	23,630,576	20,336,775

5. FINANCIAL INSTRUMENTS (Continued)

5.2 Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, derivative financial instruments, trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables, borrowings and corporate bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(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 bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings as at 31 December 2009 denominated in foreign currencies, mainly United States Dollars ("US$"), Euro ("EUR"), Hong Kong Dollars ("HK$"), United Arab Emirates Dirhams ("AED") and Nigerian Naira ("NGN"). Analysis of these assets and liabilities by currency are disclosed in Notes 33, 35, 36, 37 and 38 respectively.

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

5. FINANCIAL INSTRUMENTS (Continued)

5.2 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 end of reporting period are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**1,020,800**	1,045,923	**(182,005)**	(3,014,865)
EUR	**768,977**	318,547	**(591,011)**	(1,942)
HK$	**1,797**	9,963	**(995)**	(127)
AED	**138,122**	36,214	**(10,757)**	(1,438)
NGN	**93,298**	—	**(21,264)**	—
Others	**365,115**	261,259	**(3,893)**	(290,859)
	2,388,109	1,671,906	**(809,925)**	(3,309,231)

The Group's exposure to foreign exchange risk mainly relates to US$, EUR and HK$. The following sensitivity rates used when reporting foreign exchange 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 stable financial market in 2009, the management adjusted the sensitivity rate for the purpose of assessing foreign exchange risk.

Sensitivity analysis

As at 31 December 2009, if RMB had strengthened by 1% (2008: strengthened by 6%) 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 RMB6,742,000 lower (2008: RMB102,814,000 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 bank balances, bank balances and cash, trade and other payables (except for prepayments from customers) and borrowings.

As at 31 December 2009, if RMB had strengthened by 2% (2008: strengthened by 9%) 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 RMB2,765,000 higher (2008: RMB17,479,000 lower), 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 bank balances, bank balances and cash, trade and other payables (except for prepayments from customers).

As at 31 December 2009, if RMB had strengthened by 1% (2008: strengthened by 6%) 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 RMB7,000 lower (2008: RMB492,000 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 bank balances, bank balances and cash and trade and other payables (except for prepayments from customers).

5. FINANCIAL INSTRUMENTS (Continued)

5.2 Financial risk management objectives and policies (Continued)

(b) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its restricted bank balances, bank balances and cash, borrowings and corporate bonds. Restricted bank balances, 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 2009, approximately RMB1,561,888,000 (2008: RMB4,594,524,000) of the Group's restricted bank balances, approximately RMB4,450,432,000 (2008: RMB3,347,016,000) of the Group's bank balances, approximately RMB4,515,500,000 (2008: RMB5,362,030,000) of the Group's borrowings and approximately RMB2,483,381,000 (2008: nil) of the Group's corporate bonds were at fixed rates, respectively. The interest rates and maturities of the Group's restricted bank balances, bank balances and cash, borrowings and corporate bonds are disclosed in Notes 35, 36, 38 and 41 respectively.

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

As at 31 December 2009, if the interest rate on variable-rate borrowings had been 100 basis points (2008: 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 RMB58,409,000 lower (2008: RMB55,668,000 lower), mainly as a result of higher interest expenses on bank borrowings.

(c) Credit risk

The carrying amounts of trade and other receivables (except for prepayments to suppliers and subcontractors), restricted bank balances and bank balances 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 3% (2008: 5%) of the Group's total revenues for the year ended 31 December 2009.

The credit risk on bank balances is limited because the restricted bank balances and bank balances 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 2009 and 2008.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2009 and 2008.

5. FINANCIAL INSTRUMENTS (Continued)

5.2 Financial risk management objectives and policies (Continued)

(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, corporate bonds and the net proceeds from the initial public offering.

The Group is exposed to liquidity risk as at 31 December 2009 as the Group had net current liabilities of approximately RMB696,337,000. The Group has issued the Medium-term Notes to improve its working capital position and net current financial position. Details of which are set out in Note 2.2.

The maturity analysis of borrowings and corporate bonds that shows the remaining contractual maturities is disclosed in Notes 38(c) and 41 respectively. 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 following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

5. FINANCIAL INSTRUMENTS (Continued)

5.2 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 undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2009						
Non-derivative financial liabilities						
Trade and other payables	8,837,147	—	1,438	—	8,838,585	8,838,585
Borrowings	5,687,190	1,593,035	5,793,843	1,602,137	14,676,205	12,303,376
Corporate bonds	135,000	135,000	135,000	2,983,750	3,388,750	2,483,381
Financial guarantee contracts	608,500	40,000	30,000	—	678,500	—
	15,267,837	1,768,035	5,960,281	4,585,887	27,582,040	23,625,342
Derivative financial instruments – gross settlement						
Interest rate swaps	—	—	4,648	—	4,648	4,586
Foreign currency forward contracts	648	—	—	—	648	648
	648	—	4,648	—	5,296	5,234

5. FINANCIAL INSTRUMENTS (Continued)

5.2 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 undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2008						
Non-derivative financial liabilities						
Trade and other payables	7,494,882	3,026	1,729	—	7,499,637	7,499,637
Borrowings	8,079,638	1,185,762	3,683,784	576,599	13,525,783	12,784,401
Financial guarantee contracts	810,000	52,810	40,000	—	902,810	—
	16,384,520	1,241,598	3,725,513	576,599	21,928,230	20,284,038
Derivative financial instruments – gross settlement						
Interest rate swaps	—	—	53,433	—	53,433	48,855
Foreign currency forward contracts	3,882	—	—	—	3,882	3,882
	3,882	—	53,433	—	57,315	52,737

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

5.3 Fair value

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 fair value of 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 fair value of 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.

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The fair values of financial guarantee contracts were insignificant at the grant date.

The carrying amounts of financial assets and financial liabilities that are current in nature reported in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- *Level 1 – quoted market prices:*

  Fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

- *Level 2 – valuation technique using observable inputs:*

  Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- *Level 3 – valuation technique with significant unobservable inputs:*

  Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (Continued)

5.3 Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2009				
Financial assets at FVTPL				
Derivative financial assets	**—**	**13,550**	**—**	**13,550**
Available-for-sales financial assets				
Equity securities	**2,082,099**	**—**	**—**	**2,082,099**
	2,082,099	**13,550**	**—**	**2,095,649**
Financial liabilities at FVTPL				
Derivative financial liabilities	**—**	**5,234**	**—**	**5,234**
As at 31 December 2008				
Financial assets at FVTPL				
Derivative financial assets	—	21,506	—	21,506
Available-for-sales financial assets				
Equity securities	4,516	—	—	4,516
	4,516	21,506	—	26,022
Financial liabilities at FVTPL				
Derivative financial liabilities	—	52,737	—	52,737

There were no transfers between Level 1 and 2 during the ended 31 December 2009 and 2008.

Of the total gains or losses for the year included in profit or loss, RMB12,902,000 gain and RMB29,218,000 gain (2008: RMB2,573,000 gain and RMB33,804,000 loss) relates to foreign currency forward contracts and interest rate swap contracts respectively held at the end of the reporting period. Fair value gains or losses on the derivative financial assets and liabilities are included in other gains or other expenses.

Included in other comprehensive income is gain on fair value changes of available-for-sale financial assets of RMB1,664,293,000 (2008: RMB4,027,000) relates to equity securities held at the end of the reporting period and is reported as changes of investment revaluation reserve.

6. CAPITAL RISK MANAGEMENT

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 statement of financial position) and corporate bonds, less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, 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 2009 and 2008 are as follows:

	2009 **RMB'000**	2008 RMB'000
Total borrowings (Note 38)	**12,303,376**	12,784,401
Corporate bonds (Note 41)	**2,483,381**	—
Less: Bank balances and cash (Note 36)	**(10,077,924)**	(10,252,386)
Net debt	**4,708,833**	2,532,015
Total equity	**13,965,057**	12,215,727
Total capital	**18,673,890**	14,747,742
Gearing ratio	**25.2%**	17.2%

The increase in the gearing ratio during the year ended 31 December 2009 resulted primarily from the corporate bonds have been issued by the Group to repay the borrowings and provide fund for operation. The Group did not breach any loan covenants at the end of the reporting period.

7. 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.

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) 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.

(b) Significant influence over associates

The Group's management exercises its critical judgment when determining whether the Group has significant influence over an entity by evaluating, among other things: (i) the ability to demonstrate effective significant influence during the shareholders' meetings and board meetings; and (ii) the extent of involvement of directors of the associate nominated by the Group in its operational and financial policy setting and decision making.

(c) Impairment loss recognised 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.

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

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

(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.

(e) Ownership of the buildings and prepaid lease payments

Despite the Group has paid the full purchase consideration as detailed in Notes 21 and 22, 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 end of the reporting period, 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.

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

Key sources of estimation uncertainty (Continued)

(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.

(c) Allowance for inventories

During the year, the Group reversed the allowance of inventory of approximately RMB4,154,000 (2008: RMB1,317,000) and write down of inventory of approximately RMB24,009,000 (2008: RMB83,386,000). 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.

(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 25. No impairment loss has been recognised during the year ended 31 December 2009 (2008: impairment loss of RMB9,068,000).

Further details of the results of the review undertaken by management as at 31 December 2009 are set out in Note 25.

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

Key sources of estimation uncertainty (Continued)

(f) 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.

(g) 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 end of the reporting period 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.

(h) 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.

8. TURNOVER

Turnover represents revenue arising from provision of cement equipment and engineering services, production and sales of cement and high-tech materials.

	2009 **RMB'000**	2008 RMB'000
Turnover comprise:		
– Cement equipment and engineering services	**18,884,856**	15,273,147
– Cement	**7,797,549**	6,250,604
– High-tech materials	**3,685,567**	3,721,068
	30,367,972	25,244,819

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 had resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. cement equipment and engineering services, cement, glass fiber and high-tech materials). However, information reported to the chief operating decision maker is specifically focused on the nature of business for the goods supplied and services provided. The Group's operating and reportable segments under HKFRS 8 are therefore 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
Cement	Production and sales of cement and clinker and standard sand
High-tech materials	Production and sales of glass fiber, glass fiber products, specialty fiber, fiber reinforcement composite materials; equipment and engineering services for glass fiber production and non-metal mineral fine processing and advance ceramics

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

9. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Cement equipment and engineering services RMB'000	Cement RMB'000	High-tech materials RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE					
External sales	18,884,856	7,797,549	3,685,567	—	30,367,972
Inter-segment sales	656,699	7,097	3,266	(667,062)	—
Total	19,541,555	7,804,646	3,688,833	(667,062)	30,367,972
Segment results	1,065,681	1,411,191	397,091	(51,218)	2,822,745
Unallocated operating income and expenses					(52,699)
Interest income					253,774
Finance costs					(626,226)
Share of results of associates					46,120
Profit before tax					2,443,714

9. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

For the year ended 31 December 2008

	Cement equipment and engineering services RMB'000	Cement RMB'000	High-tech materials RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE					
External sales	15,273,147	6,250,604	3,721,068	—	25,244,819
Inter-segment sales	274,923	859	21,888	(297,670)	—
Total	15,548,070	6,251,463	3,742,956	(297,670)	25,244,819
Segment results	642,503	1,037,321	612,118	(17,934)	2,274,008
Unallocated operating income and expenses					(136,409)
Interest income					196,622
Finance costs					(593,127)
Share of results of associates					30,987
Profit before tax					1,772,081

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit earned by each segment without allocation of directors' remuneration, interest income, finance costs, share of results of associates and other head office administrative expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

9. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2009 RMB'000	2008 RMB'000
Cement equipment and engineering services	**10,377,337**	8,979,942
Cement	**15,619,026**	11,623,997
High-tech materials	**9,781,485**	8,457,153
Total segment assets	**35,777,848**	29,061,092
Eliminations	**(831,887)**	(1,370,796)
Unallocated assets	**14,814,282**	16,954,780
Consolidated assets	**49,760,243**	44,645,076

Segment liabilities

	2009 RMB'000	2008 RMB'000
Cement equipment and engineering services	**15,542,558**	15,227,422
Cement	**4,225,835**	3,055,803
High-tech materials	**2,372,311**	2,233,416
Total segment liabilities	**22,140,704**	20,516,641
Eliminations	**(1,965,740)**	(1,312,059)
Unallocated liabilities	**15,620,222**	13,224,767
Consolidated liabilities	**35,795,186**	32,429,349

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segment other than deferred income tax assets and unallocated assets including interests in associates, derivative financial instruments, restricted bank balances, bank balances and cash and certain unallocated head office assets; and
- all liabilities are allocated to reportable segments other than income tax liabilities, deferred income tax liabilities and unallocated liabilities including derivative financial instruments, borrowings, corporate bonds and certain unallocated head office liabilities.

9. SEGMENT INFORMATION (Continued)

(c) Other segment information

For the year ended 31 December 2009

	Cement equipment and engineering services RMB'000	Cement RMB'000	High-tech materials RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	139,966	514,967	357,914	293	1,013,140
Amortisation	11,056	58,809	34,495	16	104,376
Impairment loss recognised in respect of property, plant and equipment	—	61,732	6,335	—	68,067
Impairment loss recognised (reversed) in respect of trade receivables	48,185	(12,439)	35,154	—	70,900
Impairment loss recognised (reversed) in respect of other receivables	7,367	1,063	(6,751)	(504)	1,175
Impairment loss recognised (reversed) in respect of loan receivables	6,388	3,323	(87)	—	9,624
Allowance for inventories	15,172	5,154	3,683	—	24,009
Reversal of allowance for inventories	(1,801)	(169)	(2,184)	—	(4,154)
Foreseeable losses on construction contracts	16,343	—	—	—	16,343
Additions to non-current assets (Note)	704,427	3,417,196	1,228,233	333,423	5,683,279
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Interest income	211,843	23,437	15,006	3,488	253,774
Finance costs	53,752	247,762	204,322	120,390	626,226
Share of results of associates	11,259	32,702	2,159	—	46,120
Income tax	279,593	133,243	54,738	(21,384)	446,190
Interests in associates	52,403	688,058	24,658	—	765,119

9. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

For the year ended 31 December 2008

	Cement equipment and engineering services RMB'000	Cement RMB'000	High-tech materials RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Depreciation on property, plant and equipment and investment properties	116,057	459,468	391,949	242	967,716
Amortisation	8,096	48,411	24,400	—	80,907
Impairment loss recognised in respect of property, plant and equipment	—	5,981	865	—	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 respect of other receivables	6,782	23,238	13,745	—	43,765
Impairment loss recognised in respect of loan receivables	4,477	—	—	—	4,477
Allowance for inventories	71,749	4,330	7,307	—	83,386
Reversal of allowance for inventories	(222)	—	(1,095)	—	(1,317)
Foreseeable losses on construction contracts	905	—	—	—	905
Additions to non-current assets (Note)	413,440	3,940,328	2,471,969	456	6,826,193
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results:					
Interest income	100,580	27,492	28,265	40,285	196,622
Finance costs	22,078	338,412	209,971	22,666	593,127
Share of results of associates	4,919	23,623	2,445	—	30,987
Income tax	154,731	23,585	73,421	—	251,737
Interests in associates	45,119	140,114	22,017	—	207,250

Note: Non-current assets exclude interest in associates, financial instruments and deferred income tax assets. Additions to non-current assets for the year ended 31 December 2009 included additions resulting from acquisitions through business combinations, amounting to RMB3,549,000 (2008: RMB1,630,126,000).

9. SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group operates in five principal geographical areas – the PRC, Middle East, Africa, other Asian countries and Europe.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed as below:

	Revenue from external customer		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**19,050,415**	16,468,948	**21,678,714**	17,375,304
Middle East	**1,704,429**	896,767	**20,264**	24,258
Africa	**7,818,562**	5,356,297	**17,077**	9,052
Other Asian countries	**871,284**	1,136,549	**512**	—
Europe	**494,786**	1,037,760	**8,316**	—
Others	**428,496**	348,498	**15,137**	15,540
	30,367,972	25,244,819	**21,740,020**	17,424,154

Note: Non-current assets exclude interests in associates, financial instruments and deferred income tax assets.

(e) Information about major customers

During the two years ended 31 December 2009 and 2008, no revenues from transactions with any single external customer amounted to 10% or more of the Group's revenues.

10. INTEREST INCOME

	2009	2008
	RMB'000	RMB'000
Interest income on bank deposits	**252,524**	195,254
Interest income on loan receivables	**1,250**	1,368
Total interest income	**253,774**	196,622

11. OTHER GAINS

	2009 RMB'000	2008 RMB'000
Dividend income on available-for-sale financial assets (Note a)	**13,346**	8,386
Other service income	**9,820**	7,179
Income from sales of scrap materials	**918**	17,847
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 46(a) (ii))	**881**	—
Gain on deemed disposal of an associate (Note 28(d))	**—**	8,576
Gain on disposals of prepaid lease payments	**—**	28,561
Change in fair values of the derivative financial instruments		
– foreign currency forward contracts	**12,902**	2,573
– interest rate swap contracts	**29,218**	—
Insurance compensations	**598**	2,232
Penalty income (Note b)	**34,512**	18,805
Rental income	**33,721**	13,292
Waiver of other payables	**2,529**	17,645
Reversal of provision upon settlement of litigation (Note 40)	**10,747**	—
Value-added tax refunds (Note c)	**289,320**	282,439
Government grants		
- utilisation / amortisation of deferred income for the year (Note 42)	**172,135**	116,224
- grants related to expenses recognised as other gains (Note d)	**160,267**	29,168
Others	**3,863**	46,688
	774,777	599,615

Notes:

(a) All the dividend income from available-for-sale financial assets for the two years ended 31 December 2009 and 31 December 2008 are from unlisted equity investments.

(b) The penalty income mainly represented the compensation income received from the subcontractors or constructors in relation 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 related to expenses recognised as other gains 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.

12. EXCHANGE LOSS

Foreign exchange differences are included in the consolidated income statement as follows:

	2009 **RMB'000**	2008 RMB'000
Net exchange loss	**(11,562)**	(213,419)
Less: Net foreign exchange loss (gain) on bank borrowings (Note 14)	**11**	(24,766)
Exchange loss arising from the operating activities	**(11,551)**	(238,185)

13. OTHER EXPENSES

	2009 **RMB'000**	2008 RMB'000
Net loss arising from early termination of contract works (Note a)	**—**	66,883
Net loss arising from foreign currency forward contracts	**70,574**	—
Net loss arising from interest rate swap contracts	**4,768**	—
Net loss on disposals of property, plant and equipment	**3,511**	24,588
Loss on disposal of an available-for-sale financial asset	**9**	—
Compensation paid to the customer for delay of the construction work (Note b)	**—**	102,845
Penalty	**18,629**	17,338
Donations	**4,801**	23,429
Change in fair values of the derivative financial instruments		
- interest rate swap contracts	**—**	33,804
Others	**13,339**	8,273
	115,631	277,160

Notes:

(a) The balance for the year ended 31 December 2008 represented the net loss arising from the early termination of contract works of Sinoma International Engineering Co., Ltd. ("Sinoma International"), a non-wholly-owned subsidiary of the Company. 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 amendment of the contracts, 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.

14. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expenses		
- Bank borrowings wholly repayable within 5 years	**595,410**	604,923
- Bank borrowings not wholly repayable within 5 years	**13,199**	13,980
- Corporate bonds not wholly repayable within 5 years	**57,131**	—
- Other borrowings	**15,202**	28,535
	680,942	647,438
Less: Amounts capitalised as construction-in-progress (Note)	**(61,130)**	(65,233)
	619,812	582,205
Net foreign exchange loss (gain) on bank borrowings (Note 12)	**11**	(24,766)
Discount charges on bank acceptance notes	**6,403**	35,688
Total finance costs	**626,226**	593,127

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.54% (2008: 6.42%) per annum to expenditure on qualifying assets.

15. 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% (2008: 25%) 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% (2008: 15%).

During the year ended 31 December 2009, certain subsidiaries of the Group have obtained a preferential rate and changed the tax rate from 25% to 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.

15. INCOME TAX EXPENSE (Continued)

The amount of income tax expense charged to the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
Current income tax:		
- PRC enterprise income tax	**493,841**	363,767
- Overseas taxation	**7,196**	2,357
- Overprovision in previous years	**(16,690)**	(25,997)
	484,347	340,127
Deferred income tax (Note 43)		
- Effect of changes in tax rates on deferred income tax assets	**1,677**	—
- Other deferred income tax	**(39,834)**	(88,390)
	(38,157)	(88,390)
	446,190	251,737

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% (2008: 25%) is as follows:

	2009 RMB'000	2008 RMB'000
Profit before tax	**2,443,714**	1,772,081
Less: Share of results of associates	**(46,120)**	(30,987)
	2,397,594	1,741,094
Tax calculated at the statutory tax rate of 25% (2008: 25%)	**599,399**	435,274
Tax effect of income not taxable for tax purpose	**(36,536)**	(29,610)
Tax effect of expenses not deductible for tax purpose	**46,824**	55,643
Tax effect on tax losses not recognised	**24,152**	27,665
Utilisation of tax losses previously not recognised	**(4,892)**	(15,890)
Recognition of deferred income tax assets for previously unrecognised temporary differences	**(14,520)**	(52,254)
Additional deduction arising from research and development expenditure	**(20,036)**	(3,161)
Effect of differences in tax rates applicable to certain domestic subsidiaries and jointly controlled entities	**(133,188)**	(109,939)
Effect of tax exemption	**—**	(7,307)
Effect of changes in tax rates on deferred income tax assets and liabilities	**1,677**	—
Additional deduction arising from equipment produced in the PRC	**—**	(22,687)
Overprovision in previous years	**(16,690)**	(25,997)
Income tax expense	**446,190**	251,737

16. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging (crediting):

	2009	2008
	RMB'000	RMB'000
Cost of inventories recognised as expenses	**15,410,660**	11,611,012
Auditor's remuneration	**8,100**	10,150
Employee benefit expense (Note 17)	**2,055,883**	1,890,043
Depreciation and amortisation		
- property, plant and equipment	**1,002,270**	958,373
- prepaid lease payments	**63,430**	44,727
- investment properties	**10,870**	9,343
- intangible assets	**29,382**	31,901
- mining rights	**11,564**	4,279
Operating lease rentals	**191,029**	183,756
Share of income tax expenses:		
- associates	**15,562**	4,979
- jointly controlled entities	**477**	3,381
Research and development costs	**455,184**	127,032
Safety fund set aside	**74,791**	—
Foreseeable losses on construction contracts	**16,343**	905
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	**70,900**	89,998
Impairment loss recognised in respect of other receivables (included in administrative expenses)	**1,175**	43,765
Impairment loss recognised in respect of loan receivables (included in administrative expenses)	**9,624**	4,477
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	**68,067**	6,846
Impairment loss recognised in respect of intangible assets (included in administrative expenses)	**—**	9,068
Impairment loss recognised in respect of available-for-sale financial assets (included in administrative expenses)	**—**	4,710
Allowance for inventories (included in cost of sales)	**24,009**	83,386
Reversal of allowance for inventories (included in cost of sales)	**(4,154)**	(1,317)
Gross rental income from investment properties	**(33,721)**	(13,292)
Less: Direct operating expenses that generate rental income	**6,466**	2,601
Net rental income from investment properties	**(27,255)**	(10,691)

17. EMPLOYEE BENEFITS

	2009 RMB'000	2008 RMB'000
Salaries, wages and bonuses	**1,526,463**	1,472,048
Contributions to pension plans (Note a)	**210,839**	150,667
Early retirement and supplemental pension benefits (Note 39 and Note b)	**19,970**	(4,081)
Housing funds (Note c)	**73,354**	70,190
Welfare, medical and other expenses	**225,257**	201,219
	2,055,883	1,890,043

Notes:

(a) During the two years ended 31 December 2009 and 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.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and supervisors' emoluments

	2009 RMB'000	2008 RMB'000
Directors and supervisors		
- Fee for directors and supervisors	**866**	930
- Basic salaries, housing allowances and other allowances	**2,503**	2,092
- Contributions to pension plans	**129**	88
- Discretionary bonuses	**2,324**	2,757
	5,822	5,867

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(i) The emoluments of every directors and supervisors for the year ended 31 December 2009 are 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. Zhou Yuxian (Note a)	—	—	—	—	—
- Mr. Li Xinhua (Note b)	—	462	26	515	1,003
Non-executive directors					
- Mr. Liu Zhijiang	—	—	—	—	—
- Mr. Yu Shiliang (Note c)	—	—	—	—	—
- Mr. Chen Xiaozhou	60	—	—	—	60
Independent non-executive directors					
- Mr. Leung Chong Shun	180	—	—	—	180
- Mr. Tong Anyan (Note b)	—	—	—	—	—
- Mr. Shi Chungui (Note b)	—	—	—	—	—
- Mr. Lu Zhengfei (Note b)	—	—	—	—	—
- Mr. Wang Shimin (Note b)	—	—	—	—	—
- Mr. Yang Yuzhong (Note d)	180	—	—	—	180
- Mr. Zhang Lailiang (Note d)	180	—	—	—	180
- Mr. Zhang Qiusheng (Note d)	180	—	—	—	180
Supervisors					
- Ms. Xu Weibing	—	—	—	—	—
- Mr. Wang Jianguo	15	—	—	—	15
- Mr. Yu Xingmin	15	510	24	433	982
- Mr. Wang Wei (Note e)	15	602	24	530	1,171
- Mr. Wang Jijun (Note f)	5	277	14	6	302
- Mr. Zhang Renjie (Note g)	9	—	—	—	9
- Ms. Zhang Lirong	15	370	15	458	858
- Mr. Wang Baoguo (Note h)	12	282	26	382	702
	866	2,503	129	2,324	5,822

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(i) The emoluments of every directors and supervisors for the year ended 31 December 2009 are set out below: (Continued)

Notes:

a. Redesignated from non-executive director to executive director on 27 March 2009.

b. Appointed on 24 December 2009.

c. Redesignated from executive director to non-executive director on 27 March 2009.

d. Resigned on 24 December 2009.

e. Resigned on 3 March 2010.

f. Resigned on 14 April 2009.

g. Appointed on 9 June 2009.

h. Resigned on 27 October 2009.

i. In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from Sinoma Group which totaled approximately RMB896,000 for the year ended 31 December 2009, 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 Group.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(ii) The emoluments of every directors and supervisors for the year ended 31 December 2008 were 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

Notes:

a. Redesignated from executive director to non-executive director on 27 March 2009.

b. Redesignated from non-executive director to executive director on 27 March 2009.

c. In addition to the directors' emoluments disclosed above, certain directors of the Company received emoluments from Sinoma Group 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 Group.

18. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

(iii) During the two years ended 31 December 2009 and 2008, 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 2009 and 2008 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 2009 include one director and three supervisors (2008: three supervisors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: two) individuals during the year are as follows:

	2009	2008
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances	**364**	1,217
Contributions to pension plans	**18**	36
Discretionary bonuses	**512**	1,978
	894	3,231

(ii) The emoluments of the above individuals fell within the following bands:

	2009	2008
Below HK$1,000,000 (2009: equivalent to RMB879,062 and 2008: equivalent to RMB881,890)	**—**	—
HK$1,000,001 to HK$1,500,000 (2009: equivalent to RMB879,063 to RMB1,318,590 and 2008: equivalent to RMB881,891 to RMB1,322,835)	**1**	1
HK$2,500,001 to HK$3,000,000 (2009: equivalent to RMB2,197,660 to RMB2,637,190 and 2008: equivalent to RMB2,204,501 to RMB2,645,400)	**—**	1
	1	2

(iii) During the two years ended 31 December 2009 and 2008, 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.

19. DIVIDENDS

	2009	2008
	RMB'000	RMB'000
Dividends paid and recognised as distribution during the year:		
- 2008 final dividend: RMB0.020 (2008: 2007 final dividend nil) per share	**71,429**	—

The final dividend of RMB0.025 (2008: RMB0.020) per share (tax inclusive) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 December 2009 and 2008.

	2009	2008
Profit for the year attributable to owners of the Company (RMB'000)	**719,504**	564,556
Weighted average number of ordinary shares in issue ('000)	**3,571,464**	3,570,315
Basic earnings per share (RMB)	**0.201**	0.158

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2009 and 2008.

21. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture, office and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Attributable to 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 charged for the year	(162,245)	(696,717)	(52,575)	(46,836)	—	(958,373)
Impairment loss recognised in the consolidated income statement	—	(6,846)	—	—	—	(6,846)
At 31 December 2008 and 1 January 2009	**4,382,493**	**7,362,569**	**258,041**	**266,193**	**2,810,591**	**15,079,887**
Additions	**136,854**	**400,980**	**233,024**	**141,268**	**3,783,690**	**4,695,816**
Attributable to acquisition of subsidiaries	**642**	**281**	**29**	**97**	**—**	**1,049**
Disposals	**(72,381)**	**(72,433)**	**(15,758)**	**(1,930)**	**—**	**(162,502)**
Eliminated on disposal of a subsidiary	**(5,214)**	**—**	**—**	**—**	**—**	**(5,214)**
Reclassification upon completion	**1,049,998**	**1,841,817**	**—**	**—**	**(2,891,815)**	**—**
Depreciation charged for the year	**(186,627)**	**(699,318)**	**(60,421)**	**(55,904)**	**—**	**(1,002,270)**
Impairment loss recognised in the consolidated income statement	**(27,519)**	**(34,559)**	**—**	**(5,989)**	**—**	**(68,067)**
At 31 December 2009	**5,278,246**	**8,799,337**	**414,915**	**343,735**	**3,702,466**	**18,538,699**
At 31 December 2009						
Cost	**6,049,126**	**11,357,262**	**530,091**	**524,641**	**3,702,466**	**22,163,586**
Accumulated depreciation	**(705,855)**	**(2,477,855)**	**(113,826)**	**(174,819)**	**—**	**(3,472,355)**
Accumulated impairment loss	**(65,025)**	**(80,070)**	**(1,350)**	**(6,087)**	**—**	**(152,532)**
Carrying values	**5,278,246**	**8,799,337**	**414,915**	**343,735**	**3,702,466**	**18,538,699**
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

21. 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:

	2009	2008
	RMB'000	RMB'000
Cost of sales	**868,976**	819,821
Selling and marketing expenses	**21,732**	32,172
Administrative expenses	**111,562**	106,380
	1,002,270	958,373

(b) As at 31 December 2009, borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying values of approximately RMB2,468,196,000 (2008: RMB2,766,747,000) (Note 38).

(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 loss of RMB68,067,000 (2008: RMB6,846,000) has been recognised for those assets, which are used in the cement segment and high-tech materials segment. 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	2.50% to 5%
Plant and machinery	6.67% to 20%
Motor vehicles	10% to 20%
Furniture, office and other equipment	10% to 20%

(e) At 31 December 2009, 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 RMB198,319,000 (2008: RMB221,018,000). 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.

22. PREPAID LEASE PAYMENTS

	2009 RMB'000	2008 RMB'000
Cost	**2,274,578**	1,841,040
Accumulated amortisation	**(196,383)**	(132,953)
Carrying values	**2,078,195**	1,708,087
Analysed for reporting purposes as:		
Current asset	**67,447**	61,391
Non-current asset	**2,010,748**	1,646,696
	2,078,195	1,708,087

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

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

(c) As at 31 December 2009, borrowings are secured by certain prepaid lease payments of the Group with an aggregate carrying values of approximately RMB298,340,000 (2008: RMB214,565,000) (Note 38).

(d) At 31 December 2009, 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 RMB173,448,000 (2008: RMB68,721,000). 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.

23. INVESTMENT PROPERTIES

	2009 RMB'000	2008 RMB'000
At 1 January		
Cost	**118,931**	106,927
Accumulated depreciation	**(16,774)**	(7,431)
Carrying values	**102,157**	99,496
At 1 January	**102,157**	99,496
Additions	**38,176**	2,299
Eliminated on disposal of a subsidiray	**(2,705)**	—
Reclassification from property, plant and equipment	**—**	9,705
Depreciation charged for the year	**(10,870)**	(9,343)
At 31 December	**126,758**	102,157
At 31 December		
Cost	**151,867**	118,931
Accumulated depreciation	**(25,109)**	(16,774)
Carrying values	**126,758**	102,157
Fair values at 31 December (Note b)	**205,167**	268,577

(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 values of investment properties has been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, 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) All of the Group's investment properties are held to earn rentals.

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

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

	2009 RMB'000	2008 RMB'000
Rental income recorded as other gains	**33,721**	13,292
Depreciation recorded as administrative expenses	**10,870**	9,343

(f) At 31 December 2009, borrowings are secured by certain investment properties of the Group with an aggregate carrying values of approximately RMB11,625,000 (2008: RMB24,668,000) (Note 38).

24. INTANGIBLE ASSETS

	Goodwill	Patent and proprietary technologies	Customer relationships	Trademarks	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Amortisation charged for the year	—	(8,434)	(6,400)	(5,233)	(11,834)	(31,901)
Impairment loss recognised in the consolidated income statement	(9,068)	—	—	—	—	(9,068)
At 31 December 2008 and 1 January 2009	**48,438**	**30,987**	**11,530**	**59,021**	**11,658**	**161,634**
Additions	**—**	**11,846**	**—**	**—**	**7,619**	**19,465**
Amortisation charged for the year	**—**	**(9,787)**	**(5,325)**	**(4,743)**	**(9,527)**	**(29,382)**
At 31 December 2009	**48,438**	**33,046**	**6,205**	**54,278**	**9,750**	**151,717**
At 31 December 2009						
Cost	**57,506**	**79,274**	**32,337**	**67,862**	**41,693**	**278,672**
Accumulated amortisation	**—**	**(44,650)**	**(26,132)**	**(13,584)**	**(31,943)**	**(116,309)**
Accumulated impairment loss	**(9,068)**	**(1,578)**	**—**	**—**	**—**	**(10,646)**
Carrying values	**48,438**	**33,046**	**6,205**	**54,278**	**9,750**	**151,717**
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

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

(b) The goodwill impairment assessment is based on the recoverable amount of the CGU which is explained in Note 7 above. Particulars regarding impairment testing on goodwill are disclosed in Note 25.

(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.

25. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 24 have been allocated to three individual CGUs. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2009 allocated to these units are as follows:

	2009	2008
	RMB'000	RMB'000
High-tech materials segment – Shandong Taishan Composite Materials Co., Ltd ("Taishan Composite") and its subsidiaries (hereinafter collective refer to as "Taishan Composite Group")	**22,868**	22,868
Cement segment – Yixing Tianshan Cement Co. Ltd. (formerly known as Yixing Henglai Construction Materials Co., Ltd.) ("Henglai")	**22,718**	22,718
Cement segment – Xinjiang Tianshan Cement Co. Ltd. ("Tianshan Cement") and its subsidiaries (hereinafter collective refer to as "Tianshan Cement Group")	**2,852**	2,852
	48,438	48,438

During the year ended 31 December 2009, management of the Group determines that there are no impairments of any of its CGUs containing goodwill. During the year ended 31 December 2008, the Group recognised an impairment loss of RMB9,068,000 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 Group

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 Group's management covering a 10-year period, and discount rate of 11.18% (2008: 14.83%). Taishan Composite Group'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 ranging from 18.40% to 23.80%. Such estimation is based on the unit's past performance and management's expectations for the market development. Management of Taishan Composite Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Taishan Composite Group to exceed the aggregate recoverable amount of Taishan Composite Group.

25. IMPAIRMENT TESTING ON GOODWILL (Continued)

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% (2008: 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, no impairment loss has been recognised during the year ended 31 December 2009 (2008: impairment loss of RMB9,068,000).

For the year ended 31 December 2008, loss had been recorded by Henglai after the date of acquisition to the end of the reporting period. Thus an impairment loss amounted to RMB9,068,000 had been recognised.

Tianshan Cement Group

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 Group's management covering a 10-year period, and discount rate of 7.97% (2008: 7.97%). Tianshan Cement Group'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 Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tianshan Cement Group to exceed the aggregate recoverable amount of Tianshan Cement Group.

26. MINING RIGHTS

	2009 RMB'000	2008 RMB'000
At 1 January		
Cost	**65,098**	51,032
Accumulated amortisation	**(8,763)**	(4,484)
Carrying values	**56,335**	46,548
At 1 January	**56,335**	46,548
Additions	**101,705**	8,591
Attributable to acquisition of subsidiaries	**—**	5,475
Amortisation charged for the year	**(11,564)**	(4,279)
At 31 December	**146,476**	56,335
At 31 December		
Cost	**166,803**	65,098
Accumulated amortisation	**(20,327)**	(8,763)
Carrying values	**146,476**	56,335

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.

27. 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, turnover and results of jointly controlled entities included in the consolidated statement of financial position and consolidated income statement are as follows:

	2009	2008
	RMB'000	RMB'000
Assets		
Non-current assets	**238,677**	351,278
Current assets	**102,150**	132,743
	340,827	484,021
Liabilities		
Non-current liabilities	**26,071**	54,562
Current liabilities	**144,809**	129,852
	170,880	184,414
Net assets	**169,947**	299,607
Turnover	**196,974**	259,763
(Loss) profit for the year	**(20,704)**	22,301

During the year ended 31 December 2008, CEMTECH Group Co., Ltd. ("CEMTECH"), a subsidiary of the Company, has entered into agreements with other shareholders of CEMTECK, Changshu Heavy Machinery Co., Ltd. ("CEMTECK Changshu") 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 7 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 53(b).

28. INTERESTS IN ASSOCIATES

	2009 RMB'000	2008 RMB'000
Cost of investments in associates		
– listed equity security in the PRC	**517,912**	—
– unlisted equity interests	**153,687**	153,587
Share of post-acquisition profits and other comprehensive income, net of dividends	**93,520**	53,663
	765,119	207,250
Fair value of listed investment	**975,545**	—

(a) Included in the cost of investments in associates is goodwill of approximately RMB252,463,000 (2008: nil) arising on acquisition of the listed associate, Gansu Qilianshan Cement Group Co., Ltd. ("Qilianshan Co.") in current year. The movement of goodwill is set out below:

	2009 RMB'000	2008 RMB'000
Cost		
At 1 January	**—**	—
Arising on acquisition of an associate	**252,463**	—
At 31 December	**252,463**	—

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

	2009 RMB'000	2008 RMB'000
Total assets	**7,283,810**	1,293,296
Total liabilities	**(3,870,083)**	(816,066)
Minority interests	**(199,169)**	(120)
Net assets	**3,214,558**	477,110
Group's share of net assets of associates	**512,656**	207,250
Revenue	**2,446,540**	603,198
Profit for the year	**305,832**	48,751
Group's share of results of associates	**46,120**	30,987

28. INTERESTS IN ASSOCIATES (Continued)

(c) On 15 June 2009, the Group acquired 11.58% equity interests in Qilianshan Co. for a consideration of RMB501,050,000 and classified as an available-for-sale financial asset of the Company. On 28 July 2009, the Group appointed 3 of the 15 directors in the board of directors of Qilianshan Co.. Due to the appointment of directors, the directors of the Company consider that the Group does exercise significant influence over Qilianshan Co. and it is therefore classified as an associate. In September 2009, the Group acquired additional 0.30% equity interests in Qilianshan Co. for a consideration of approximately RMB16,862,000.

(d) In April 2008, BBMG Corporation 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 Corporation has been diluted. Also, in August 2008, BBMG Corporation reduced its total number of directors from 12 to 10 and the Group could only appoint 1 director to the board of BBMG Corporation. Taking into consideration that 1 out of the 10 directors of BBMG Corporation 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 Corporation since August 2008 and therefore BBMG Corporation became the available-for-sale financial assets thereafter. A gain on deemed disposal of the BBMG Corporation as an associate amounted to approximately RMB8,576,000 had been recognised in the consolidated income statement.

Result of BBMG Corporation from 1 January 2008 to the date of deemed disposal amounted to approximately RMB15,537,000 was shared by the Group.

(e) Since 15 November 2007, the Group has 45% equity interests in Jiangsu Jiashi Engineering & Construction Co., Ltd. ("Jiangsu Jiashi"), which was classified as an associate up to 10 July 2009. On 10 July 2009, the Group acquired additional 55% equity interests in Jiangsu Jiashi for a consideration of approximately RMB3,391,000 and therefore Jiangsu Jiashi became a subsidiary of the Group thereafter.

Result of Jiangsu Jiashi from 1 January 2009 to the date of deemed disposal amounted to approximately RMB721,000 was shared by the Group.

(f) Particulars of the Group's principal associates are set out in Note 53(c).

29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	RMB'000	RMB'000
Listed equity securities in PRC	**291,132**	4,516
Unlisted equity securities	**1,876,224**	499,047
	2,167,356	503,563

(a) The listed equity investments are measured at fair value.

(b) Included in the unlisted equity investments, which amounted to RMB85,257,000 (2008: RMB499,047,000) 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 2009, the directors of the Company were of the opinion that no impairment loss on the available-for-sale financial assets is recognised (2008: RMB4,710,000).

(c) As at 31 December 2009 and 2008, included in unlisted equity securities were investments in unlisted domestic shares in BBMG Corporation. During the year ended 31 December 2009, BBMG Corporation was listed on the Stock Exchange. As at 31 December 2009, the directors of the Company reviewed the carrying amounts of the domestic shares by reference to the price of the listed shares quoted in the Stock Exchange and the increase in fair value of approximately RMB1,386,202,000 has been credited to the other comprehensive income and accumulated in investment revaluation reserve.

(d) As at 31 December 2008, included in unlisted equity securities was investments in legal person shares in Xinjiang West-construction Co., Ltd. ("West-construction"). During the year ended 31 December 2009, West-construction was listed on the Shenzhen Stock Exchange of the PRC. According to the listing prospectuses of West-construction, the legal person shares will be transferable in the market after one year from the date of the listing of the relevant shares. As at 31 December 2009, the directors of the Company reviewed the carrying amounts of the legal person shares by reference to the price of the listed shares quoted in the Shenzhen Stock Exchange of the PRC and the increase in fair value of approximately RMB274,248,000 has been credited to the other comprehensive income and accumulated in investment revaluation reserve.

(e) During the year ended 31 December 2009, the Group disposed of an unlisted equity security with carrying amount of RMB500,000 (2008: RMB12,192,000), which had been carried at cost before the disposal. A loss amounted to RMB9,000 has been resulted from the disposal for the year ended 31 December 2009 (2008: nil).

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not under hedge accounting:

	Current		Non-current	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Derivative financial assets				
– Foreign currency forward contracts	**13,550**	6,455	**—**	—
– Interest rate swap contracts	**—**	—	**—**	15,051
	13,550	6,455	**—**	15,051
Derivative financial liabilities				
– Foreign currency forward contracts	**648**	3,882	**—**	—
– Interest rate swap contracts	**—**	—	**4,586**	48,855
	648	3,882	**4,586**	48,855

As at 31 December 2009, major terms of the foreign currency forward contracts are as follows:

Notional amounts	Maturities	Exchange rates
Sell EUR5,000,000	20 January 2010	RMB9.7989 : EUR1
Sell EUR5,000,000	20 February 2010	RMB9.7981 : EUR1
Sell EUR5,000,000	22 March 2010	RMB9.7964 : EUR1
Sell EUR5,000,000	20 April 2010	RMB9.7950 : EUR1
Sell EUR5,000,000	20 May 2010	RMB9.7932 : EUR1
Sell EUR5,000,000	21 June 2010	RMB9.7882 : EUR1
Sell EUR5,000,000	20 July 2010	RMB9.7815 : EUR1
Sell EUR5,000,000	20 August 2010	RMB9.7785 : EUR1
Sell EUR5,000,000	20 November 2010	RMB9.7749 : EUR1
Sell US$5,000,000	2 January 2010	RMB6.8267 : US$1
Sell US$5,000,000	2 February 2010	RMB6.8245 : US$1
Sell US$5,000,000	2 March 2010	RMB6.8200 : US$1
Sell US$5,000,000	2 April 2010	RMB6.8209 : US$1
Sell US$5,000,000	2 May 2010	RMB6.8195 : US$1
Sell US$5,000,000	2 June 2010	RMB6.8143 : US$1
Sell US$5,000,000	2 July 2010	RMB6.8110 : US$1
Sell US$5,000,000	2 August 2010	RMB6.8032 : US$1
Sell US$5,000,000	2 November 2010	RMB6.7895 : US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

Notional amounts	Maturities	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

As at 31 December 2009, major terms of the interest rate swap contracts are as follows:

Notional amounts	Maturities	Swaps
RMB404,300,000	20 December 2012	From 0.45% when US$CMS[1] 30-year ≥3.9% and US$ 6-month LIBOR[2] ≤7% to US$CMS30 <3.9% and US$ 6-month LIBOR >7%

1 CMS represented the constant maturity swap.

2 LIBOR represented London inter-bank offered rate.

30. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2008, major terms of the interest rate swap contracts were 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 LIBOR represented London inter-bank offered rate.

During the year ended 31 December 2009, the interest rate swap contracts amounted to RMB250,000,000 and RMB250,000,000 with maturities on 16 March 2013 and 21 March 2013 respectively have been derecongised after the negotiation with the counterparty without any settlement payments. The fair value of the interest rate swap contracts at the date of derecognition was nil. A change in fair value amounted to RMB15,051,000 has been recognised in the consolidated income statement.

31. DEPOSITS PAID FOR ACQUISTION OF SUBSIDIARIES

(a) Balance as at 31 December 2009 of RMB332,770,000 represents the deposits paid by the Company for a capital injection and acquisition on Gansu Qilianshan Building Materials Holdings Company Limited ("Qilianshan Holdings").

On 27 December 2009, the Company entered into a capital injection and acquisition agreement with the State-owned Assets Supervision and Administrative Commission of Gansu Provincial Government ("Gansu Provincial SAC") and Qilianshan Holdings, whereby the Company has agreed to inject additional capital into Qilianshan Holdings amounted to RMB100,000,000, representing 15.33% of the enlarged registered share capital of Qilianshan Holdings. In addition, the Company also agreed to acquire 35.67% equity interests from Gansu Provincial SAC for a consideration of approximately RMB232,770,000. Details of the capital injection and acquisition were set out in the Company's announcement dated 27 December 2009. Upon completion of the capital injection and acquisition, the Company shall hold 51% equity interests in Qilianshan Holdings.

The valuation on Qilianshan Holdings is still in process and the capital injection and acquisition have not been completed as of the date of the approval of these consolidated financial statements.

(b) Balance as at 31 December 2009 and 2008 of RMB300,000,000 represents the deposit paid by Sinoma Cement Co., Ltd. ("Sinoma Cement"), a non-wholly-owned subsidiary of the Group, to acquire the 100% equity interests in Anhui Yingpu Jinlong Cement Co., Ltd. ("Anhui Yingpu") according to the framework agreement. In February 2008, Sinoma Cement entered into a framework agreement with the owners of Anhui Yingpu 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 of Anhui Yingpu. The details of the acquisition are set out in Note 52(a).

32. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**1,233,193**	1,216,437
Work-in-progress	**1,892,630**	1,742,725
Finished goods	**1,413,995**	1,055,570
	4,539,818	4,014,732

During the year ended 31 December 2009, reversal of allowance of inventories of approximately RMB4,154,000 (2008: RMB1,317,000) has been recognised as the corresponding inventories were either sold or used.

33. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables and retentions		
Trade receivables	**3,534,111**	2,603,049
Retentions	**145,821**	131,319
	3,679,932	2,734,368
Less: Impairment loss recognised	**(456,896)**	(425,945)
Trade receivables and retentions, net	**3,223,036**	2,308,423
Loan receivables, prepayments, deposits, staff advances and other receivables		
Loan receivables	**96,033**	58,378
Prepayments to suppliers and subcontractors	**4,290,487**	3,863,218
Staff advances	**139,265**	89,294
Deposits	**89,935**	238,033
Other receivables	**637,205**	350,286
	5,252,925	4,599,209
Less: Impairment loss recognised	**(121,939)**	(132,229)
Loan receivables, prepayments, deposits, staff advances and other receivables, net	**5,130,986**	4,466,980
Total trade and other receivables	**8,354,022**	6,775,403
Less: Non-current portion		
Retentions	**(68,424)**	(68,450)
Current portion	**8,285,598**	6,706,953

Refer to Note 51(b) for details of receivables due from related parties.

33. TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of the Group's trade receivables and retentions net of impairment loss at the end of the reporting period presented based on the invoice date are as follows:

	2009 RMB'000	2008 RMB'000
Less than 6 months	**2,031,251**	1,646,778
6 months to 1 year	**740,394**	303,138
1 year to 2 years	**317,033**	233,503
2 years to 3 years	**102,744**	76,220
Over 3 years	**31,614**	48,784
	3,223,036	2,308,423

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. The Group does not hold any collateral over these balances.

(b) As at 31 December 2009, RMB631,645,000 (2008: RMB1,204,048,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	2009 RMB'000	2008 RMB'000
Less than 6 months	**86,295**	865,635
6 months to 1 year	**164,418**	203,525
1 year to 2 years	**314,998**	50,587
2 years to 3 years	**34,320**	41,115
Over 3 years	**31,614**	43,186
	631,645	1,204,048

Trade 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 that are still considered fully recoverable.

33. TRADE AND OTHER RECEIVABLES (Continued)

(c) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**6,955,238**	6,023,663
US$	**558,448**	451,206
EUR	**638,084**	105,823
HK$	**—**	7,534
AED	**1,719**	—
NGN	**5,971**	—
Others	**194,562**	187,177
	8,354,022	6,775,403

(d) The Group does not hold any collateral over the balances of other receivables.

(e) Movement on the impairment loss of trade receivables is as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**425,945**	357,553
Impairment loss recognised	**70,900**	89,998
Receivables written off as uncollectible	**(39,949)**	(21,606)
At 31 December	**456,896**	425,945

Included in the impairment loss recognised are individually impaired trade receivables with an aggregate balance of approximately RMB456,896,000 (2008: RMB425,945,000) 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 7. It was assessed that a portion of the receivables is expected to be recovered.

33. TRADE AND OTHER RECEIVABLES (Continued)

(f) Movement on the impairment loss of other receivables is as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**111,686**	67,921
Impairment loss recognised	**1,175**	43,765
Receivables written off as uncollectible	**(21,089)**	—
At 31 December	**91,772**	111,686

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB91,772,000 (2008: RMB111,686,000) 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 7. It was assessed that a portion of the receivables is expected to be recovered.

(g) Movement on the impairment loss of loan receivables is as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**20,543**	16,066
Impairment loss recognised	**9,624**	4,477
At 31 December	**30,167**	20,543

Included in the impairment loss recognised are individually impaired loan receivables with an aggregate balance of approximately RMB30,167,000 (2008: RMB20,543,000) 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 7. It was assessed that a portion of the receivables is expected to be recovered.

(h) For the year ended 31 December 2009, the interest bearing loan receivables amounted RMB15,000,000 (2008: RMB15,000,000) bear interest at 5.31% (2008: 7.47%). The remaining loan receivables amounted to RMB81,033,000 (2008: RMB43,378,000) are non-interest bearing. The interest bearing and non-interest bearing loan receivables are unsecured and repayable on demand.

34. CONTRACT WORK-IN-PROGRESS

	2009 RMB'000	2008 RMB'000
Contract cost incurred plus recognised profit less recognised losses	**21,591,300**	17,984,987
Less: Progress billings	**(21,828,123)**	(18,059,409)
Contract work-in-progress	**(236,823)**	(74,422)
Analysed for reporting purposes as:		
Amounts due from customers	**168,261**	430,699
Amounts due to customers	**(405,084)**	(505,121)
	(236,823)	(74,422)
Contract revenue recognised as turnover	**10,391,794**	7,727,372

Included in the trade and other receivable are retentions due from customers for contract works of approximately RMB145,821,000 (2008: RMB131,319,000).

Included in the trade and other payables are advances received from customers for contract works of approximately RMB7,859,589,000 (2008: RMB10,509,000,000).

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 2009, foreseeable losses on construction contracts of approximately RMB16,343,000 (2008: RMB905,000) have been recognised in the consolidation income statement.

35. RESTRICTED BANK BALANCES

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**1,548,353**	4,533,038
US$	**3,863**	50,907
EUR	**8,370**	10,579
Others	**1,302**	—
	1,561,888	4,594,524

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of performance bonds of approximately RMB814,114,000 (2008: RMB1,155,000,000) and letter of credits to customers or bank acceptance notes to suppliers.

As at 31 December 2009, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, were 0.36% to 4.14% (2008: 0.36% to 3.78%) per annum.

36. BANK BALANCES AND CASH

	2009 RMB'000	2008 RMB'000
Cash at bank and in hand	**5,627,492**	6,905,370
Bank deposits		
– Term deposits	**3,672,389**	2,485,580
– Other bank deposits	**778,043**	861,436
	4,450,432	3,347,016
Cash and cash equivalents	**10,077,924**	10,252,386

(a) The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	2009 RMB'000	2008 RMB'000
RMB	**9,102,134**	9,393,706
US$	**458,489**	543,810
EUR	**122,523**	202,145
HK$	**1,797**	2,429
AED	**136,403**	36,214
NGN	**87,327**	—
Others	**169,251**	74,082
	10,077,924	10,252,386

(b) As at 31 December 2009, the fixed interest rate on term deposits with initial terms over three months were 1.71% to 3.78% (2008: 1.71% to 3.87%) per annum.

As at 31 December 2009, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months were 1.35% to 2.25% (2008: 0.01% to 0.36%) per annum.

(c) 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.

37. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Trade payables	**7,180,966**	5,823,198
Deposits, advances, accruals and other payables		
Prepayment from customers	**10,406,273**	10,721,134
Accrued payroll and welfare	**191,145**	142,936
Accrued social security costs	**201,741**	185,035
Other taxes	**152,023**	1,323
Accrued expenses	**169,210**	109,353
Deposits payable	**143,072**	214,860
Dividends payable to minority interests by subsidiaries	**58,113**	99,014
Other payables	**894,338**	925,241
	12,215,915	12,398,896
Total trade and other payables	**19,396,881**	18,222,094
Less: Non-current portion:		
Trade payables	**—**	4,135
Accrued payroll and welfare	**1,438**	620
	1,438	4,755
Current portion	**19,395,443**	18,217,339

Refer to Note 51(b) for details of payables due to related parties.

37. TRADE AND OTHER PAYABLES (Continued)

(a) Ageing analysis of trade payables at the end of the reporting period presented based on the invoice date are as follows:

	2009 **RMB'000**	2008 RMB'000
Within 6 months	**4,249,504**	3,552,194
6 months to 1 year	**1,951,479**	1,138,288
1 year to 2 years	**789,146**	702,949
2 years to 3 years	**100,405**	321,707
Over 3 years	**90,432**	108,060
	7,180,966	5,823,198

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit timeframe.

(b) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2009 **RMB'000**	2008 RMB'000
RMB	**18,676,166**	17,755,984
US$	**92,795**	171,744
EUR	**591,011**	1,942
HK$	**995**	127
AED	**10,757**	1,438
NGN	**21,264**	—
Others	**3,893**	290,859
	19,396,881	18,222,094

(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 end of the reporting period.

38. BORROWINGS

	2009 RMB'000	2008 RMB'000
Non-current		
Long-term bank borrowings		
– Secured (Note a)	**1,335,977**	1,510,039
– Unsecured	**5,481,686**	3,420,092
	6,817,663	4,930,131
Other borrowings		
– Secured (Note a)	**2,000**	—
– Unsecured	**44,080**	—
	46,080	—
Total non-current borrowings	**6,863,743**	4,930,131
Current		
Current portion of long-term bank borrowings		
– Secured (Note a)	**320,878**	174,261
– Unsecured	**448,403**	427,030
	769,281	601,291
Short-term bank borrowings		
– Secured (Note a)	**522,360**	462,400
– Unsecured	**3,544,227**	6,790,579
	4,066,587	7,252,979
Other borrowings		
– Secured (Note a)	**1,000**	—
– Unsecured	**602,765**	—
	603,765	—
Total current borrowings	**5,439,633**	7,854,270
Total borrowings	**12,303,376**	12,784,401

38. BORROWINGS (Continued)

Notes:

(a) Secured borrowings of the Group were secured by the Group's property, plant and equipment (Note 21), prepaid lease payments (Note 22) and investment properties (Note 23).

(b) The exposure of borrowings to interest rate changes is as follows:

	2009	2008
	RMB'000	RMB'000
Fixed-rate borrowings	**4,515,500**	5,362,030
Variable-rate borrowings	**7,787,876**	7,422,371
	12,303,376	12,784,401

(c) The maturities of total borrowings are set out as follows:

	2009	2008
	RMB'000	RMB'000
Within 1 year	**5,439,633**	7,854,270
1 year to 2 years	**1,441,637**	1,106,741
2 years to 5 years	**4,261,089**	3,285,217
Wholly repayable within 5 years	**11,142,359**	12,246,228
Over 5 years	**1,161,017**	538,173
	12,303,376	12,784,401

(d) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2009	2008
	RMB'000	RMB'000
RMB	**12,214,166**	9,941,280
US$	**89,210**	2,843,121
	12,303,376	12,784,401

38. BORROWINGS (Continued)

(e) Certain borrowings of the Group are guaranteed by other state-owned enterprises and independent third parties. The amounts of the guarantees provided by other state-owned enterprises and independent third parties to the Group at the end of the reporting period are as follows:

	2009	2008
	RMB'000	RMB'000
Guarantees provided by other state-owned enterprises	**6,000**	6,000
Guarantees provided by independent third parties	**898,747**	908,196
	904,747	914,196

(f) The weighted average effective interest rates (per annum) at the respective end of the reporting periods are as follows:

	2009	2008
	RMB'000	RMB'000
Bank borrowings		
– RMB	**5.37%**	6.28%
– US$	**3.72%**	4.05%
Other borrowings		
– RMB	**4.44%**	—

(g) The undrawn borrowing facilities are as follows:

	2009	2008
	RMB'000	RMB'000
Floating rate		
– Expiring within 1 year	**8,360,130**	6,749,842
– Expiring beyond 1 year	**4,711,410**	41,948
Fixed rate		
– Expiring within 1 year	**3,002,120**	30,180
– Expiring beyond 1 year	**733,600**	—
	16,807,260	6,821,970

38. BORROWINGS (Continued)

(h) The Group's borrowings as at 31 December 2009 included borrowings of approximately RMB93,112,000 (2008: RMB158,052,000) 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.

(i) The Group's borrowings as at 31 December 2009 included borrowings of approximately RMB1,798,972,000 (2008: RMB2,039,214,000) 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 (the "Reorganisation") in preparing for a listing of the Company's shares on the Stock Exchange in 2007.

39. 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 consolidated statements of financial position are as follows:

	2009 RMB'000	2008 RMB'000
Total liability in the consolidated statement of financial position	**163,172**	163,681
Less: Current portion	**(20,479)**	(21,108)
	142,693	142,573

The movements of early retirement and supplemental benefit obligations are as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**163,681**	188,870
For the year		
– Interest cost (Note 17)	**5,525**	8,021
– Actuarial losses (gains) (Note 17)	**14,445**	(12,102)
	19,970	(4,081)
– Payments	**(20,479)**	(21,108)
At 31 December	**163,172**	163,681

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:

39. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

(a) Discount rates adopted (per annum):

	2009	2008
Discount rates	**4.2%**	3.6%

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;

(b) Early-retirees' and retirees' supplemental pension subsidies increase rate: 0% (2008: 0%);

(c) Early-retirees' and retirees' (where applicable) pension contributions increase rate: 5% (2008: 5%), 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% (2008: 6%);

(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.

40. PROVISIONS

	Provision for litigation RMB'000 (Note)	**Others** RMB'000	**Total** RMB'000
At 1 January 2008	25,000	231	25,231
Additional provision	10,847	—	10,847
Utilised during the year	—	(231)	(231)
At 31 December 2008 and 1 January 2009	35,847	—	35,847
Utilised during the year	(25,100)	—	(25,100)
Reversal upon settlement	(10,747)	—	(10,747)
At 31 December 2009	**—**	**—**	**—**

Note: Provision for litigation is made based on management's best estimates and judgments, as described in Note 7 above. In previous years, provision was made in respect of the default payment, the penalty interest and the corresponding litigation cost following the insolvency of a company in which the Group granted financial guarantees. The litigation has been settled during the year ended 31 December 2009.

41. CORPORATE BONDS

	2009	2008
	RMB'000	RMB'000
Corporate bonds, at amortised cost	**2,483,381**	—

On 31 July 2009, the Company issued seven-year corporate bonds of face value at RMB2,500,000,000 in the PRC debenture market. The issuance expenses amounting to RMB17,500,000 had been deducted from the corporate bonds account. The corporate bonds bear a fixed interest rate of 5.40% per annum and the interest is paid annually.

The corporate bonds are denominated in RMB. The effective interest rate of the corporate bonds is 5.52%.

42. DEFERRED INCOME

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Government grants relating to land use rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	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 and 1 January 2009	74,062	202,995	62,023	339,080
Additions	72,463	67,121	5,552	145,136
Utilised / amortised during the year	(66,672)	(102,811)	(2,652)	(172,135)
At 31 December 2009	**79,853**	**167,305**	**64,923**	**312,081**

In 2009, the Group received government grants of approximately RMB72,463,000 (2008: RMB28,213,000) towards the research and development expenditure. The amounts have been treated as deferred income and are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. This policy has resulted in a credit to income in the current year of approximately RMB66,672,000 (2008: RMB34,923,000). As at 31 December 2009, an amount of approximately RMB79,853,000 (2008: RMB74,062,000) remains unutilised.

In 2009, the Group received government grants of approximately RMB72,673,000 (2008: RMB110,544,000) towards the cost of construction of property, plant and equipment and acquisition of land use rights. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately RMB105,463,000 (2008: RMB81,301,000). As at 31 December 2009, an amount of approximately RMB232,228,000 (2008: RMB265,018,000) remains unamortised.

43. 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	Assets revaluation surplus during the Reorganisation	Deferred income arising from government grants	Unrealised profit on inter-company transactions	Provision for early retirement and supplemental benefit obligations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	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 subsidiaries	1,243	—	—	—	—	—	1,243
At 31 December 2008 and 1 January 2009	140,909	5,596	10,887	20,912	27,651	27,876	233,831
Credited (charged) to the consolidated income statement	17,050	(243)	(355)	8,478	(123)	4,950	29,757
Effect of changes in tax rates	(920)	—	(276)	—	—	(481)	(1,677)
At 31 December 2009	**157,039**	**5,353**	**10,256**	**29,390**	**27,528**	**32,345**	**261,911**

43. DEFERRED INCOME TAX (Continued)

(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 payments, 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 2008	146,910	11,043	—	157,953
Charged to other comprehensive income	—	—	586	586
Credited to the consolidated income statement	(34,391)	(1,683)	—	(36,074)
Attributable to acquisition of a subsidiary	32,667	—	—	32,667
At 31 December 2008 and 1 January 2009	145,186	9,360	586	155,132
Charged to other comprehensive income	—	—	388,459	388,459
Credited to the consolidated income statement	(5,162)	(4,915)	—	(10,077)
At 31 December 2009	**140,024**	**4,445**	**389,045**	**533,514**

(c) 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.

43. DEFERRED INCOME TAX (Continued)

(d) 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 2009, the Group did not recognise deferred tax assets of approximately RMB36,933,000 (2008: RMB17,673,000) in respect of tax losses amounting to approximately RMB197,566,000 (2008: RMB88,826,000), 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:

	2009	2008
	RMB'000	RMB'000
Within 1 year	**—**	—
Between 1 to 2 years	**—**	—
Between 2 to 3 years	**8,407**	—
Between 3 to 4 years	**60,402**	9,526
Between 4 to 5 years	**128,757**	79,300
	197,566	88,826

44. SHARE CAPITAL

	Non-listed domestic shares		**Non-listed foreign shares**		**H Shares**		**Total**	
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**	**Number of shares**	**Amount**
	'000	RMB'000	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:								
1 January 2008	2,288,612	2,288,612	130,793	130,793	1,012,303	1,012,303	3,431,708	3,431,708
Issue of new shares through the exercise of over-allocation option (Note a)	—	—	—	—	139,756	139,756	139,756	139,756
Non-listed domestic shares converted into H shares (Note b)	(12,089)	(12,089)	—	—	12,089	12,089	—	—
At 31 December 2008, 1 January 2009 and 31 December 2009	**2,276,523**	**2,276,523**	**130,793**	**130,793**	**1,164,148**	**1,164,148**	**3,571,464**	**3,571,464**

Notes:

(a) 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.

(b) 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 non-listed domestic shares were converted into H shares and transferred to the National Social Security Fund of the PRC.

45. RESERVES

Safety fund

	2009 RMB'000	2008 RMB'000
At 1 January	**—**	—
Safety fund set aside	**48,730**	—
At 31 December	**48,730**	—

Foreign exchange reserve

	2009 RMB'000	2008 RMB'000
At 1 January	**(2,503)**	1,571
Exchange differences arising on translation	**3,498**	(4,074)
At 31 December	**995**	(2,503)

Investment revaluation reserve

	2009 RMB'000	2008 RMB'000
At 1 January	**3,441**	—
Gain on fair value changes of available-for-sale financial assets	**1,766,752**	4,027
Reversal of gain on fair value change of an available-for-financial assets upon transfer to investment in an associate	**(278,300)**	—
Deferred income tax liabilities arising on fair value changes of available-for-sale financial assets	**(362,083)**	(586)
At 31 December	**1,129,810**	3,441

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

(a) Business combinations for the year ended 31 December 2009

(i) Xinganmeng Taixin Mining Co., Ltd. ("Taixin Mining")

On 5 August 2009, the Group acquired 51% equity interests in Taixin Mining from an independent third party for a consideration of RMB5,100,000. This acquisition has been accounted for using purchase method.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount approximates to fair value RMB'000
Plant and equipment	1,001
Prepaid lease payment	2,500
Trade and other receivables	607
Inventories	1,097
Bank balances and cash	5,488
Other payables	(680)
Income tax liabilities	(13)
Net assets acquired	10,000
Minority interests	(4,900)
Total consideration	5,100
Total consideration satisfied by:	
Cash	5,100
Net cash inflow arising on acquisition:	
Cash consideration paid	(5,100)
Cash and cash equivalents acquired	5,488
	388

Taixin Mining contributed RMB517,000 and RMB669,000 to the Group's turnover and loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, the Group's turnover for the period would have been RMB30,368,613,000, and profit for the period would have been RMB1,997,306,000. 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 2009, 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 2009 (Continued)

(ii) Jiangsu Jiashi

On 10 July 2009, the Group acquired the remaining 55% of the issued share capital of the former associate, Jiangsu Jiashi for a consideration of approximately RMB3,391,000. After the acquisition, the Group's interest held in Jiangsu Jiashi was increased from 45% to 100%. This acquisition has been accounted for using purchase method. The amount of excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition arising as a result of the acquisition was RMB881,000.

The net assets acquired in the transaction, and the excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition arising, are as follows:

	Acquiree's carrying amount approximates to fair value
	RMB'000
Plant and equipment	48
Inventories	3,500
Trade receivables	415
Bank balances and cash	4,919
Trade and other payables	(1,115)
Net assets acquired	7,767
Less: 45% equity interests acquired previously recognised as interest in an associate	(3,495)
	4,272
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition	(881)
Total consideration	3,391

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) Business combinations for the year ended 31 December 2009 (Continued)

(ii) Jiangsu Jiashi (Continued)

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition is attributable to the ability of the Group in negotiating the agreed terms of the transaction with the vendor.

	RMB'000
Total consideration satisfied by:	
Cash	3,391
Net cash inflow arising on acquisition:	
Cash consideration paid	(3,391)
Cash and cash equivalents acquired	4,919
	1,528

Jiangsu Jiashi contributed RMB17,139,000 and RMB3,054,000 to the Group's turnover and profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, the Group's turnover for the period would have been RMB30,369,124,000, and profit for the period would have been RMB1,997,956,000. 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 2009, nor is it intended to be a projection of future results.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the year ended 31 December 2008

(i) Taishan Composite

In March 2008, the Group acquired 100% equity interests in Taishan Composite from an independent third party 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.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before acquisition	**Fair value adjustments**	**Fair value**
	RMB'000	RMB'000	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 bank balances	31,000	—	31,000
Bank balances and cash	22,522	—	22,522
Trade and other payables	(493,134)	—	(493,134)
Dividends payable	(24,014)	—	(24,014)
Income tax liabilities	(5,478)	—	(5,478)
Borrowings	(260,504)	—	(260,504)
Deferred income	(1,448)	—	(1,448)
Deferred tax liabilities	(2,804)	(29,863)	(32,667)
Net assets acquired	80,839	89,591	170,430
Less: Minority interests			(18,484)
Goodwill			22,868
Total consideration			174,814

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the year ended 31 December 2008 (Continued)

(i) Taishan Composite (Continued)

Goodwill arose in the acquisition of Taishan Composite because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Taishan Composite. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	RMB'000
Total consideration satisfied by:	
Cash	174,814
Net cash outflow arising on acquisition:	
Cash consideration paid	(174,814)
Cash and cash equivalents acquired	22,522
	(152,292)
Cash prepaid in the year ended 31 December 2007	100,000
	(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 year ended 31 December 2008.

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)

(b) Business combinations for the year ended 31 December 2008 (Continued)

(ii) Henglai

In July 2008, the Group acquired 100% equity interests in Henglai from an independent third party 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.

The 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 income tax assets	236
Inventories	42,448
Trade and other receivables	61,235
Bank balances and cash	105,307
Trade and other payables	(394,670)
Income tax liabilities	(4,828)
Borrowings	(294,400)
Net assets acquired	307,200
Goodwill	31,786
Total consideration	338,986

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the year ended 31 December 2008 (Continued)

(ii) Henglai (Continued)

Goodwill arose in the acquisition of Henglai because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Henglai. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	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)
Cash and cash equivalents acquired	105,307
	(191,693)

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 year ended 31 December 2008.

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.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the year ended 31 December 2008 (Continued)

(iii) Sinomatech Wind & Power Blade Co., Ltd. ("Sinoma Fan Blades")

Since 2007, the Group has 42.35% equity interests in Sinoma Fan Blades which was classified as an associate. During the year ended 31 December 2008, the Group appointed 2 additional directors to the board of Sinoma Fan Blades and has obtained de facto control over Sinoma Fan Blades since the effective date of the change in the composition of the board of directors of Sinoma Fan Blades. Sinoma Fan Blades, previously an associate of the Group, became a subsidiary of the Group and the results, assets and liabilities of Sinoma Fan Blades 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.

The 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

Sinoma Fan Blades 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 year ended 31 December 2008.

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.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) Business combinations for the year ended 31 December 2008 (Continued)

(iv) 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 agreed to waive their control on the board of CEMTECK Changshu. Taking into consideration of 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 7 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.

The 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 income 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)
Income 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 year ended 31 December 2008.

46. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) 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 agreed to waive their control on the board of Tianjin Tsubakimoto. Taking into consideration of 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 7 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.

The 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	2,017	(1,009)	1,008
Prepaid lease payments	156	(78)	78
Other non-current assets	800	(400)	400
Deferred income tax assets	1,374	(687)	687
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)
Income 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 year ended 31 December 2008.

47. DISPOSAL OF SUBSIDIARIES

On 22 December 2009, the Group disposed of its entire equity interests in Ningxia Jianfu Investment Co., Ltd. ("Ningxia Jianfu") and its subsidiaries (hereinafter collectively referred to as "Ningxia Jianfu Group"), the wholly-owned subsidiaries of the Group, to an independent third party for a total consideration of RMB1,000,000. The net assets of Ningxia Jianfu Group at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	5,214
Investment property	2,705
Inventories	13
Trade and other receivables	1,043
Bank balances and cash	1,168
Trade and other payables	(9,141)
Income tax liabilities	(2)
Net assets disposed of	1,000
Gain (loss) on disposal	—
Total consideration	1,000
Satisfied by:	
Cash	1,000
Net cash outflow arising from disposal:	
Cash consideration	1,000
Cash and cash equivalents disposed of	(1,168)
	(168)

The subsidiaries disposed of during the year ended 31 December 2009 contributed approximately RMB926,000 to the Group's turnover and no significant impact on the results of the Group. The subsidiaries also contributed approximately RMB461,000 to the Group's net operating cash inflow, and no cash flow impacts in respect of investing activities and financing activities were noted.

48. CONTINGENT LIABILITIES

	2009 RMB'000	2008 RMB'000
Pending lawsuits / arbitrations (Note a)	**68,168**	24,000
Outstanding guarantees (Note b)	**751,500**	963,900
	819,668	987,900

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 40 has been made for the probable losses to the Group on the claim when management can reasonably estimate the outcome of the lawsuit based on management's judgments and the legal advice. No provisions have been made for pending lawsuits as the 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 independent third parties. Outstanding guarantees amounted to RMB678,500,000 (2008: RMB902,810,000) have been utilised by other state-owned enterprises and certain independent third parties at the end of the reporting period.

(c) At the end of the reporting period, the Group has provided the following guarantees to other state-owned enterprises / independent third parties which will be expired on:

	2009 RMB'000	2008 RMB'000
Within one year	**141,000**	139,150
In the second to fifth year inclusive	**610,500**	824,750
	751,500	963,900

49. COMMITMENTS

(a) Capital commitments

	2009 RMB'000	2008 RMB'000
Capital expenditure authorised but not contracted for in respect of the acquisition of:		
– Property, plant and equipment	**956,909**	1,605,449
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– Property, plant and equipment	**972,634**	1,430,906
– Prepaid lease payments	**—**	18,663
	972,634	1,449,569
	1,929,543	3,055,018

(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 end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**12,850**	10,462
In the second to fifth year inclusive	**39,142**	6,596
After five years	**66,119**	23,335
	118,111	40,393

Operating lease payments represents rentals payables by the Group for various offices, warehouses and residential properties. Leases are negotiated for a period from 2 to 30 years and rentals are fixed during the relevant lease periods.

49. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

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 27% (2008: 13%) on an ongoing basis. All of the properties held have committed tenants for the next 5 years.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments as follows:

	2009	2008
	RMB'000	RMB'000
Within one year	**5,345**	7,282
In the second to fifth year inclusive	**3,844**	8,046
After five years	**7,650**	8,100
	16,839	23,428

50. MAJOR NON-CASH TRANSACTIONS

The Group has undertaken the following non-cash transactions during the two years ended 31 December 2009 and 2008:

(a) During the year ended 31 December 2009, the Group acquired additional 55% of equity interests in Jiangsu Jiashi, therefore Jiangsu Jiashi has been accounted for as a subsidiary of the Group. The interest in an associate of RMB3,975,000 as at the date it became a subsidiary of the Group has been deemed as disposal of an associate.

(b) 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.

(c) During the year ended 31 December 2008, the Group obtained the de facto control over Sinoma Fan Blades, therefore Sinoma Fan Blades 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.

(d) During the year ended 31 December 2008, the Group lost the significance influence over BBMG Corporation, therefore the Group's equity interests in BBMG Corporation of RMB404,765,000 have been reclassified as the available-for-sales financial assets.

(e) 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.

51. 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 Group, 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 Group 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 2009 and balances as at 31 December 2009 and 31 December 2008 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.

51. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions

The Group had the following significant transactions with related parties:

	2009 RMB'000	2008 RMB'000
Transactions with Sinoma Group and fellow subsidiaries		
Revenue		
– Sales of goods or provision of services	**120,933**	238,090
Expenses		
– Purchases of goods or services	**171,221**	207,883
– Rental expense	**24,112**	15,168
Consideration for acquisition of a subsidiary	**—**	33,984
Transactions 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	**34,622**	20,619
– Interest income	**841**	511
Expenses		
– Purchases of goods or services	**15,342**	20,706
– Rental expense	**—**	5,741
Transactions with associates		
Revenue		
– Sales of goods or provision of services	**1,519**	31,306
Expenses		
– Purchases of goods or services	**47,954**	9,358

51. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions (Continued)

	2009 **RMB'000**	2008 RMB'000
Transactions with minority interests		
Revenue		
– Sales of goods or provision of services	**11,143**	5,874
Expenses		
– Purchases of goods or services	**114,136**	3,874
– Purchase of prepaid lease payments	**—**	17,289
Acquisition of additional equity interests in subsidiaries	**1,286,521**	480,175
Transactions with joint venture partners of jointly controlled entities		
Revenue		
– Sales of goods or provision of services	**21,991**	38,756
Expenses		
– Purchases of goods or services	**2,352**	28,743
Transactions with other state-owned enterprises		
Revenue		
– Sales of goods or provision of services	**1,242,554**	874,982
– Interest income from bank deposits	**236,991**	180,896
Expenses		
– Purchases of goods or services	**1,065,492**	674,921
– Interest expense of bank borrowings	**617,569**	574,821
Others		
– Outstanding guarantees provided by the Group to other state-owned enterprises	**90,000**	146,000
– Outstanding guarantees provided by other state-owned enterprises to the Group	**6,000**	6,000

51. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties

	2009 RMB'000	2008 RMB'000
Deposit paid for acquisition of a subsidiary		
– Other state-owned enterprises	**332,770**	—
Trade and other receivables		
Trade receivables due from		
– Sinoma Group and fellow subsidiaries	**36,717**	36,705
– Jointly controlled entities	**9,070**	12,150
– Minority interests	**17,163**	5,769
– Joint venture partners of jointly controlled entities	**5,653**	2,358
– Other state-owned enterprises	**264,753**	234,786
– Less: Impairment loss recognised	**(13,475)**	(6,542)
	319,881	285,226
Other receivables due from		
– Sinoma Group and fellow subsidiaries	**144,961**	54,561
– Jointly controlled entities	**30,024**	12,976
– Minority interests	**32,805**	47,856
– Other state-owned enterprises	**40,335**	36,582
– Less: Impairment loss recognised	**(1,652)**	(2,471)
	246,473	149,504
	566,354	434,730

51. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	2009 RMB'000	2008 RMB'000
Trade and other payables		
Trade payables due to		
– Sinoma Group and fellow subsidiaries	**28,311**	62,852
– Jointly controlled entities	**7,309**	4,853
– Associates	**5,630**	—
– Minority interests	**6,435**	6,387
– Joint venture partners of jointly controlled entities	**5,989**	4,782
– Other state-owned enterprises	**152,387**	178,230
	206,061	257,104
Other payables due to		
– Sinoma Group and fellow subsidiaries	**18,433**	35,693
– Jointly controlled entities	**—**	728
– Minority interests	**59,136**	102,556
– Joint venture partners of jointly controlled entities	**—**	5,784
– Other state-owned enterprises	**73,592**	87,496
	151,161	232,257
	357,222	489,361

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.

51. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

	2009 RMB'000	2008 RMB'000
Borrowings		
– Sinoma Group and fellow subsidiaries	**600,000**	—
– Other state-owned enterprises	**11,664,236**	12,739,571
	12,264,236	12,739,571
Other balances with other state-owned enterprises		
– Restricted bank balances	**1,497,867**	3,478,085
– Bank balances	**9,870,156**	10,033,871
	11,368,023	13,511,956

Restricted bank balances, bank balances, and borrowings with related parties mainly represent balances with state-owned banks, which constitute of majority of restricted bank balances, bank balances and borrowings. Detailed information of restricted bank balances, bank balances, and borrowings are disclosed in Notes 35, 36 and 38 respectively.

The weighted average effective interest rate of borrowings from related parties is 5.37% (2008: 6.28%) per annum as at 31 December 2009.

(c) Loans to related parties

	2009 RMB'000	2008 RMB'000
Loans to other state-owned enterprises:		
– At 1 January	**5,353**	4,369
– At 31 December	**—**	5,353
– Maximum amounts outstanding during the year	**5,353**	5,353

Loans to related parties are included in trade and other receivables in the consolidated statement of financial position. The interest rate of loans to related parties is 7.47% (2008: 7.47%) per annum as at 31 December 2009.

51. RELATED PARTY DISCLOSURES (Continued)

(d) Key management compensation

	2009 RMB'000	2008 RMB'000
Basic salaries, housing allowances and other allowances	**2,953**	3,339
Contributions to pension plans	**147**	124
Discretionary bonuses	**2,836**	4,735
Fee for directors	**780**	900
	6,716	9,098

The remuneration of the key management is determined by the remuneration committee and having regard to the performance of individuals and market trends.

52. EVENTS AFTER THE REPORTING PERIOD

(a) In January 2010, Sinoma Cement entered into a transfer agreement with the owners of Anhui Yingpu, whereby Sinoma Cement agreed to acquire the entire equity interest of Anhui Yingpu at a provisional consideration of RMB660,000,000. The consideration is subjected to be revised according to the audited net assets value on the completion date. RMB300,000,000 has been paid as a deposit for acquisition of a subsidiary at the end of the reporting period.

(b) On 10 March 2010, the Company issued the Medium-term Notes amounted to RMB1,700,000,000 with a term of five years. The Medium-term Notes bear a fixed interest rate of 4.48% per annum and the interest is paid annually.

The proceeds of the Medium-term Notes were received on 11 March 2010.

Details of the issuance of the Medium-term Notes were set out in the Company's announcement dated 11 March 2010.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

(a) Principal subsidiaries

As at 31 December 2009 and 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	Attributable equity interest 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)	The PRC 28 December 2001 Joint stock company	421,797 (2008: 168,000)	42.46% (2008: 53.31%) (Notes (ii) and (vi))	—	Construction and engineering services; The PRC, Europe, Africa and other Asian countries
Sinoma Science & Technology (中材科技股份有限公司) ("Sinoma Science & Technology")	The PRC 28 December 2001 Joint stock company	150,000	47.67% (Note (iii))	—	High-tech materials operations; The PRC
Tianshan Cement (新疆天山水泥股份有限公司)	The PRC 18 November 1998 Joint stock company	312,033	36.28% (Note (iv))	—	Cement operations; The PRC
Ningxia Saima Industry Co., Ltd (寧夏賽馬實業股份有限公司) ("Saima Industry")	The PRC 4 December 1998 Joint stock company	195,134	—	35.74% (Note (v))	Production and sales of cement and clinker; The PRC
Unlisted:					
CBMI Construction Co., Ltd. (中材建設有限公司)	The PRC 13 November 2002 Limited liability company	72,580	—	100% (2008: 76.58%) (Note (vi))	Construction and engineering services; The 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)	The PRC 28 November 2002 Limited liability company	50,000	—	100% (2008: 53.12.%) (Note (vi))	Construction and engineering services; The PRC

53. 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			
Unlisted: (Continued)					
Sinoma Tangshan Heavy Machinery Co., Ltd. (唐山中材重型機械有限公司)	The PRC 27 January 2003 Limited liability company	44,166	—	100% (2008: 55%) (Note (vi))	Manufacture of cement equipment; The PRC
Sinoma (Suzhou) Construction Co., Ltd. (蘇州中材建設有限公司)	The PRC 19 December 2002 Limited liability company	50,080	—	100% (2008: 81.91%) (Note (vi))	Construction and engineering services; The PRC
Sinoma (Handan) Construction Co., Ltd. (邯鄲中材建設有限公司)	The PRC 17 December 2002 Limited liability company	15,650	—	100% (2008: 82.43%) (Note (vi))	Construction and engineering services; The 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)	The PRC 13 December 2006 Limited liability company	200,000	—	100% (2008: 93%) (Note (vi))	Construction and engineering services; The PRC, Africa and other Asian countries
China National Building Material Equipment Corp., Ltd. (中國建材裝備有限公司)	The PRC 3 June 1988 Limited liability company	22,000	—	100% (2008: 65%) (Note (vi))	Construction and engineering services; The PRC and other Asian countries
CEMTECH (中天仕名科技集團有限公司)	The PRC 7 April 2000 Limited liability company	55,280	—	100% (2008: 55%) (Note (vi))	Manufacture of cement equipment; The PRC
CEMTECH Xuzhou Heavy Machinery Co., Ltd. (中天仕名(徐州)重型機械有限公司)	The PRC 16 December 2002 Limited liability company	38,000	—	91%	Manufacture of cement equipment; The PRC
CEMTECH Zibo Heavy Machinery Co., Ltd. (中天仕名(淄博)重型機械有限公司)	The PRC 8 January 2002 Limited liability company	50,000	—	100% (2008: 65%) (Note (vi))	Manufacture of cement equipment; The PRC

53. 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
Unlisted: (Continued)					
CEMTECH Changshu (常熟仕名重型機械有限公司)	The PRC 23 October 2003 Limited liability company	20,000	—	100% (2008: 50%) (Note (vi))	Manufacture of cement equipment; The PRC
Xi'an Engineering (中國建築材料工業建設西安工程有限公司)	The PRC 28 December 2001 Limited liability company	30,516	—	100%	Construction and engineering services; The PRC
Jiangsu Sinoma Cement Technology Equipment Co., Ltd. (江蘇中材水泥技術裝備有限公司)	The PRC 25 July 2007 Limited liability company	72,220	—	100% (2008: 55%) (Note (vi))	Manufacture of cement equipment; The PRC
Jiangsu Jiashi (江蘇嘉寶工程建設有限公司)	The PRC 15 November 2007 Limited liability company	6,000	—	100% (2008: nil) (Note 28(e))	Construction and engineering services; The PRC
Sinoma Nanjing Mining Engineering Co., Ltd. (中國非金屬材料南京礦山工程有限公司)	The PRC 29 June 2007 Limited liability company	29,746 (2008: 20,000) (Note (vii))	—	100%	Construction and engineering services; The PRC
Sinoma Shangrao Machinery Co., Ltd. (上饒中材機械有限公司)	The PRC 19 April 2007 Limited liability company	12,457	100%	—	Construction and engineering services; The PRC
Sinoma Tianjin Mining Engineering Co., Ltd. (天津礦山工程有限公司)	The PRC 26 June 2007 Limited liability company	28,953	—	100%	Construction and engineering services; The PRC
Sinoma Yanzhou Mining Engineering Co., Ltd. (兗州中材建設工程有限公司)	The PRC 14 August 2007 Limited liability company	27,867 (2008: 20,000) (Note (vii))	—	100%	Construction and engineering services; The PRC

53. 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
Unlisted: (Continued)					
Henan Sinoma Environmental Protection Co., Ltd. (河南中材環保有限公司)	The PRC 17 November 2003 Limited liability company	28,500	100%	—	Manufacture of cement equipment; The PRC
Sinoma Cement (中材水泥有限責任公司)	The PRC 20 November 2003 Limited liability company	1,501,883 (2008: 1,324,753) (Note (vii)	100%	—	Cement operations; The PRC
Sinoma Hanjiang (中材漢江水泥股份有限公司)	The PRC 25 August 1994 Joint stock company	282,167 (2008: 107,658) (Note (vii))	—	90.45% (2008: 73.40%) (Note (viii))	Cement operations; The PRC
Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司)	The PRC 6 February 2006 Limited liability company	270,000	—	70%	Cement operations; The PRC
Yunfu Tianshan Cement Co., Ltd. (中材天山(雲浮)水泥有限公司)	The PRC 4 April 2003 Limited liability company	180,000	—	81.59%	Cement operations; The PRC
Xinjiang Tianshan Zhuyou Concrete Co., Ltd. (新疆天山築友混凝土有限責任公司)	The PRC 20 April 2003 Limited liability company	27,541 (2008: 19,513) (Note (vii))	—	91.95% (2008: 88.64%) (Note (viii))	Cement operations; The PRC
Xinjiang Hejing Tianshan Cement Co., Ltd. (新疆和靜天山水泥有限責任公司)	The PRC 16 January 1996 Limited liability company	35,526 (2008: 27,360 (Note (vii))	—	74.63%	Cement operations; The PRC
Korla Tianshan Shenzhou Concrete Co., Ltd. (庫爾勒天山神州混凝土有限責任公司)	The PRC 28 January 2003 Limited liability company	24,253	—	60%	Cement operations; The PRC

53. 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
Unlisted: (Continued)					
Aksu Tianshan Duolang Cement Co., Ltd. (阿克蘇天山多浪水泥有限責任公司)	The PRC 25 April 2001 Limited liability company	135,250	—	100%	Cement operations; The PRC
Xinjiang Tunhe Cement Co.,Ltd. (新疆屯河水泥有限責任公司)	The PRC 16 October 2000 Limited liability company	350,000	—	51%	Cement operations; The PRC
Suzhou Tianshan Cement Co.,Ltd. (蘇州天山水泥有限公司)	The PRC 6 November 2003 Limited liability company	30,000	—	100%	Cement operations; The PRC
Wuxi Tianshan Cement Co., Ltd. (無錫天山水泥有限公司)	The PRC 28 February 2003 Limited liability company	80,000	—	100%	Cement operations; The PRC
Jiangsu Tianshan Cement (Group) Co., Ltd. (江蘇天山水泥集團有限公司)	The PRC 11 November 2002 Limited liability company	311,353	—	66.01%	Cement operations; The PRC
Suzhou Tianshan Concrete Co., Ltd. (蘇州天山商品混凝土有限公司)	The PRC 26 July 2002 Limited liability company	4,000	—	75%	Cement operations; The PRC
Sinoma Advanced Materials Co. Ltd. (中材高新材料股份有限公司)	The PRC 25 December 2000 Joint stock company	107,591	99.46% (2008: 95.80%) (Note (ix))	—	High-tech materials operations; The PRC
Jiangxi Sinoma New Solar Materials Co., Ltd. (江西中材太陽能新材料有限公司)	The PRC 30 April 2007 Limited liability company	100,000	—	64%	Manufacture of new materials; The PRC

53. 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
Unlisted: (Continued)					
Beijing Sinoma Synthetic Crystals Co., Ltd. (北京中材人工晶體有限公司)	The PRC 22 April 2005 Limited liability company	18,000	—	100%	High-tech materials operations; The PRC
Beijing Composite Material Co., Ltd. (北京玻鋼院複合材料有限公司)	The PRC 2 January 2003 Limited liability company	60,000	20%	80%	High-tech materials operations; The PRC
Sinoma Science & Technology (Suzhou) Co., Ltd. (中材科技（蘇州）有限公司)	The PRC 26 October 2004 Limited liability company	100,000	—	100% (2008: 80%) (Note (viii))	High-tech materials operations; The PRC
Taishan Fiberglass Inc. (泰山玻璃纖維有限公司)	The PRC 17 September 1999 Limited liability company	1,934,712	100%	—	Glass fiber operations; The PRC
Taishan Fiberglass Zoucheng Co., Ltd. (泰山玻璃纖維鄒城有限公司)	The PRC 26 July 2001 Limited liability company	631,020	—	80.56%	Glass fiber operations; The PRC
Taishan Composite (山東泰山複合材料有限公司)	The PRC 16 April 2003 Limited liability company	238,684	—	100%	Glass fiber operations; The PRC
CTG International Inc. (CTG北美貿易有限公司)	United States ("U.S.") 16 April 2004 Limited liability company	13,457	—	100%	Trading of glass fiber; U.S.
Tai'an Huatai Nonmetal Micronization Co., Ltd. (泰安華泰非金屬微粉有限公司)	The PRC 4 January 2002 Limited liability company	18,980	—	100%	Production and sale of non-metallic crystal; The PRC

53. 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
Unlisted: (Continued)					
Sinoma Jinjing Fiber Glass Co., Ltd. (中材金晶玻纖有限公司)	The PRC 17 January 2004 Limited liability company	200,000	51%	—	Glass fiber operations; The PRC
Xiamen ISO Standard Sand Co., Ltd. (廈門艾思歐標準砂有限公司)	The PRC 22 December 1999 Limited liability company	25,000	51%	—	Manufacture of Chinese ISO standard sands; The PRC
Henglai (宜興天山水泥有限責任公司)	The PRC 29 July 2008 Limited liability company	150,000	—	100%	Cement operations; The PRC
Midong Tianshan Cement Co. Ltd. (新疆米東天山水泥有限責任公司)	The PRC 24 April 2007 Limited liability company	201,365 (2008: 60,000) (Note (x))	—	83.93% (2008: 65%) (Note (x))	Cement operations; The PRC
Sinoma Louding Cement Co., Ltd. (中材羅定水泥有限公司)	The PRC 4 December 2007 Limited liability company	290,000	—	100%	Production and sales of cement and clinker; The PRC
Sinoma Zhuzhou Cement Co. Ltd. (中材株洲水泥有限公司)	The PRC 11 October 2005 Limited liability company	230,000	—	100%	Cement operation; The PRC
Changde Sinoma Cement Co. Ltd. (常德中材牛力水泥有限公司)	The PRC 10 October 2007 Limited liability company	157,420	—	83.50%	Cement operation; The PRC
Xiang Tan Sinoma Cement Co. Ltd. (湘潭中材牛力水泥有限公司)	The PRC 28 September 2007 Limited liability company	289,710	—	77.97% (2008:63.72%) (Note (viii))	Production and sales of cement and clinker; The PRC

53. 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
Unlisted: (Continued)					
Sinoma Fan Blades (中材科技風電葉片股份有限公司)	The PRC 14 June 2007 Joint stock company	255,000	—	54.12%	Sales of wind power blade; The PRC
Ningxia Building Materials (寧夏建材集團有限責任公司)	The PRC 5 September 1997 Limited liability company	781,711	100% (2008: 50.06%) (Note (xi))	—	Cement operation; The PRC
Ning Xia Qingtongxia Cement Co. Ltd. (寧夏青銅峽水泥股份有限公司)	The PRC 11 August 2001 Joint stock company	334,750	—	100% (2008:86.80%) (Note (viii))	Cement operation; The PRC
Ning Xia Zhongning Saima Cement Co. Ltd. (寧夏中寧賽馬水泥有限公司)	The PRC 24 June 2004 Limited liability company	180,910	—	100%	Cement operation; The PRC

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 2009 and 2008, the Group's shares in companies listed in the PRC comprise:

(1) 42.46% (2008: 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 179,113,896 A shares which have been tradable in the stock market since 6 July 2009. The market value of these tradable shares as at 31 December 2009 is approximately RMB6,657,664,000. The market value of these shares as at 31 December 2008 is not presented as the shares were not tradable at this date.

(2) 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 71,506,800 A shares which have been tradable in the stock market since 3 November 2009. The market value of these tradable shares as at 31 December 2009 is approximately RMB2,567,094,000. The market value of these shares as at 31 December 2008 is not presented as the shares were not tradable at this date.

(3) 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 have been tradable since 26 May 2009. The market value of the 113,196,483 tradable shares as at 31 December 2009 is approximately RMB2,403,161,000 (2008: RMB165,690,000 for 15,601,680 tradable shares).

(4) 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 have been tradable since 5 August 2009 and 48,117,600 shares will be tradable after 5 August 2010. The market value of the 21,632,400 tradable shares as at 31 December 2009 is approximately RMB806,240,000 (2008: RMB123,593,000 for 7,210,800 tradable shares).

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

(ii) As the Group has obtained de facto control over Sinoma International as set out in Note 7 above and therefore Sinoma International became a subsidiary of the Group.

(iii) As the Group has obtained de facto control over Sinoma Science & Technology as set out in Note 7 above and therefore Sinoma Science & Technology became a subsidiary of the Group.

(iv) As the Group has obtained de facto control over Tianshan Cement as set out in Note 7 above and therefore Tianshan Cement became a subsidiary of the Group.

(v) Ningxia Building Materials holds 35.74% equity interests in Saima Industry. As Ningxia Building Materials has obtained de facto control over Saima Industry as set out in Note 7 above and therefore Saima Industry became a subsidiary of Ningxia Building Materials and the Group.

(vi) On 10 October 2008, Sinoma International entered into an equity purchase agreement with Tianjin Zhongtian Technology Development Co., Ltd. ("Tianjin Zhongtian") to acquire certain equity interests in Sinoma Tangshan Heavy Machinery Co., Ltd., CBMI Construction Co., Ltd., CEMTECK Changshu, CEMTECH Zibo Heavy Machinery Co., Ltd., CEMTECH, 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., Tianjin Cement Industry Design & Research Institute Co., Ltd., China National Building Materials Equipment Corp., 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"). 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 before the acquisition and approximately 19.99% of the issued share capital of Sinoma International as enlarged by issuance of the Consideration Shares. Sinoma International was owned as to 53.31% by the Company as at 31 December 2008. Upon completion of the acquisition on 8 April 2009, Sinoma International is owned as to 42.46% by the Company and Sinoma Internation owns 100% for the Target Companies.

Details of which are set out in the Company's circular dated 31 October 2008.

(vii) During the year ended 31 December 2009, Sinoma Nanjing Mining Engineering Co., Ltd, Sinoma Yanzhou Mining Engineering Co., Ltd, Sinoma Cement, Sinoma Hanjiang, Xinjiang Tianshan Zhuyou Concrete Co., Ltd and Xinjiang Hejing Tianshan Cement Co., Ltd increased the registered capital from the contribution of the owners.

(viii) During the year ended 31 December 2009, the Group acquired additional equity interests in Sinoma Hanjiang, Xinjiang Hejing Zhuyou Concrete Co., Ltd., Sinoma Science & Technology (Suzhou) Co., Ltd., Xiang Tan Sinoma Cement Co., Ltd. and Ning Xia Qingtongxia Cement Co., Ltd. from the shareholders of the minority interests.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

(ix) 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 Co., Ltd. ("Sinoma Advance Materials") from Shangdong Aluminum ("Acquisition") at a cash consideration of approximately RMB18,186,000. Upon completion of the Acquisition on 6 February 2009, the equity interests in Sinoma Advanced Materials held by the Company increased from 94.49% to 98.86%.

Details of which are set out in the Company's announcement dated 21 January 2009.

(x) 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 approximately RMB141,365,000. 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 approximately RMB11,456,000 into Midong Tianshan, and the land use right so injected shall form approximately RMB11,365,000 in the registered capital of Midong Tianshan. The capital injections by Tianshan Cement and Xinjiang Huatai resulted in a dilution of the equity interests in Midong Tianshan held by Tunhe Cement and Xinjiang Huatai, respectively. Upon completion of the transaction contemplated under the Agreement on 19 March 2009, the equity interests 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 interests in Midong Tianshan from 65% to 83.93%, and therefore, Midong Tianshan remains a non-wholly-owned subsidiary of the Company. Details of the Agreement have been disclosed in the Company's circular dated 15 November 2008.

Details of which are set out in the Company's announcement dated 24 November 2008.

(xi) On 13 April 2009, the Company has entered into an equity transfer agreement with SINOMA Group (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 Group ("Acquisition") for a cash consideration of approximately RMB1,011,256,000. Upon completion of the Acquisition on 31 May 2009, Ningxia Building Materials becomes a wholly-owned subsidiary of the Company.

Details of which are set out in the Company's announcement dated 13 April 2009.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(b) Jointly controlled entities

As at 31 December 2009 and 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	Attributable equity interest Indirectly held	Principal activities and place of operation
PPG Sinoma Jinjing Fiber 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 fiber operations; Hong Kong
PPG Sinoma Zibo Jinjing Fiber Glass Co., Ltd. (淄博中材龐貝捷金晶玻纖有限公司)	The PRC 19 April 2006 Limited liability company	212,394	—	50%	Glass fiber operations; The PRC
Dongguan Taiguang Fiberglass Ltd. (東莞泰廣玻璃纖維有限公司)	The PRC 10 June 2003 Limited liability company	6,710	—	50%	Glass fiber operations; The PRC
Shandong Taishan Fiberex Fiberglass Co., Ltd. (山東泰山發博瑞克玻璃纖維有限公司)	The PRC 31 October 2006 Limited liability company	23,620	—	50%	Glass fiber operations; The 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.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) Associates

As at 31 December 2009 and 2008, the Company has direct and indirect equity interests in the following principal associates:

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
Listed:					
Qilianshan Co. (甘肅祁連山水泥集團股份有限公司)	The PRC 3 December 1995 Joint stock company	474,902	11.88% (2008: nil) (Notes (i) and 28(c))	—	Cement operations; The PRC
Unlisted:					
Nanjing Chunhui Science & Technology Industry & Commerce Co., Ltd. (南京春輝科技實業有限公司)	The PRC 24 January 1997 Limited liability company	8,043	—	20.59%	Glass fiber operations; The PRC
Hangzhou Qiangshi Engineering & Materials Co., Ltd. (杭州強士工程材料有限公司)	The PRC 30 July 2000 Limited liability company	17,750	—	30%	Glass fiber operations; The PRC
Hanjiang Concrete Co., Ltd. (漢中市漢江混凝土有限責任公司)	The PRC 24 March 2000 Limited liability company	15,000	—	26.67%	Cement operations; The PRC
Beijing Tongda Refractory Technologies Co., Ltd. (北京通達耐火技術股份有限公司)	The PRC 10 May 2006 Joint stock company	125,326	—	23.75%	Cement operation, real estate, import and export trade; The PRC
Jiangsu Jiashi (江蘇嘉實工程建設有限公司)	The PRC 15 November 2007 Limited liability company	6,000	—	— (2008: 45%) (Note 28(e))	Construction and engineering services; The 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.

(i) As the Group has significant influence over Qilianshan Co. as set out in Note 7 above and therefore Qilianshan Co. became an associate of the Group.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(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, Qilianshan Co. 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.

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 RMB'000	2008 RMB'000
Non-current assets		
Property, plant and equipment	**2,204**	1,844
Intangible assets	**2,911**	2,927
Investments in subsidiaries	**7,477,828**	6,288,193
Interest in an associate	**517,913**	—
Available-for-sale financial assets	**1,796,007**	407,856
Deposit paid for acquisition of a subsidiary	**332,770**	—
Deferred income tax assets	**7,349**	—
	10,136,982	6,700,820
Current assets		
Other receivables	**1,586,795**	1,261,755
Bank balances and cash	**22,227**	295,868
	1,609,022	1,557,623
Current liabilities		
Other payables	**455,507**	47,206
Income tax liabilities	**—**	14,034
Borrowings	**600,000**	1,450,000
Early retirement and supplementary benefit obligations	**3,404**	2,681
	1,058,911	1,513,921
Net current assets	**550,111**	43,702
Total assets less current liabilities	**10,687,093**	6,744,522

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Corporate bonds		**2,483,381**	—
Early retirement and supplementary benefit obligations		**25,993**	24,387
Deferred income tax liabilities		**347,392**	354
		2,856,766	24,741
NET ASSETS		**7,830,327**	6,719,781
Capital and reserves			
Share capital		**3,571,464**	3,571,464
Reserves	(a)	**4,258,863**	3,148,317
TOTAL EQUITY		**7,830,327**	6,719,781

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) The reserves movements of the Company

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Other reserves RMB'000 (Note b (i))	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At 1 January 2008	2,847,953	(546,272)	13,607	—	98,700	(158,479)	2,255,509
Total comprehensive income for the year	—	—	—	2,127	—	465,474	467,601
Issue of new shares through the exercise of over-allocation option	445,762	—	—	—	—	—	445,762
Share issued expenses on over-allocation option	(20,555)	—	—	—	—	—	(20,555)
Appropriation to statutory surplus reserve (Note b (ii))	—	—	16,590	—	—	(16,590)	—
At 31 December 2008 and 1 January 2009	**3,273,160**	**(546,272)**	**30,197**	**2,127**	**98,700**	**290,405**	**3,148,317**
Total comprehensive income for the year	**—**	**—**	**—**	**1,041,112**	**—**	**140,863**	**1,181,975**
Dividend recognised as distribution	**—**	**—**	**—**	**—**	**—**	**(71,429)**	**(71,429)**
Appropriation to statutory surplus reserve (Note b (ii))	**—**	**—**	**15,644**	**—**	**—**	**(15,644)**	**—**
At 31 December 2009	**3,273,160**	**(546,272)**	**45,841**	**1,043,239**	**98,700**	**344,195**	**4,258,863**

54. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) The reserves of the Company

(i) In October 2007, Sinoma Group 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 Group on a special foreign aid fund loans lent by MOC to such subsidiary. According to the agreement, Sinoma Group 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 Group.

(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 owners.

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 2009, the Board of Directors proposed appropriation of 10% of profit after tax as determined under the PRC GAAP, amounting to RMB15,644,000 (2008: RMB16,590,000), to the statutory surplus reserve.

(iii) Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company for the year ended 31 December 2009 has incorporated a profit of approximately RMB140,863,000 (2008: RMB465,474,000) arising from the financial statements of the Company.

Definitions

"Articles of Association" or "Articles"	the articles of association of the Company amended the third time at the extraordinary general meeting of the Company on 24 December 2009
"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
"BBMG Corporation"	BBMG Corporation (北京金隅股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability
"Beijing Huaming"	Beijing Huaming Lighting Co. Ltd. (北京華明電光源工業有限責任公司), a limited liability company incorporated under the laws of the PRC
"Beijing Liulihe"	Beijing Liulihe Cement Co., Ltd.(北京琉璃河水泥有限公司), a subsidiary of BBMG, a promoter of the Company
"Beijing Tongda"	Beijing Tongda Refractory Technologies Co., Ltd.(北京通達耐火技術股份有限公司), a subsidiary of BBMG, a promoter of the Company
"Board"	the board of Directors
"CBMC"	China Building Materials Industrial Corporation for Foreign Econo-Technical Cooperation (中國建材工業對外經濟技術合作公司), a wholly-owned subsidiary of the Parent
"China Water Investment"	China Water Investment Group Corp. (中國水利投資集團公司), a limited liability company incorporated under the laws of the PRC
"Cinda"	China Cinda Asset Management Corporation (中國信達資產管理公司), one of the promoters of the Company
"CNBMEC"	China National Building Material Equipment Corporation (中國建材技術裝備總公司), a wholly owned subsidiary of the Parent
"Company Law"	the Company Law of the People's Republic of China
"Company", "our Company", "we" or "us"	China National Materials Company Limited (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
"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 Hong Kong Stock Exchange

Definitions

"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
"Hengda Hong Kong"	Hengda (Hong Kong) International Investment Company (亨達 (香港) 國際投資有限公司), a company incorporated under the laws of Hong Kong
"Hengda Hong Kong Group"	collectively, Hengda Hong Kong and its subsidiaries and associates
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Jiangxi Sinoma"	Jiangxi Sinoma New Solar Materials Co. Ltd. (江西中材太陽能新材料有限公司), a subsidiary of the Company
"LDK"	Jiangxi LDK Solar Hi-Tech Co., Ltd. (江西賽維LDK太陽能高科技有限公司), a limited liability company incorporated under the laws of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Main Board"	the main board of the Hong Kong Stock Exchange
"Ningxia Building Materials"	Ningxia Building Materials Group Company Limited (寧廈建材集團有限責任公司), a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Parent" or "Sinoma Group"	China National Materials Group Corporation Ltd. (中國中材集團有限公司) (previously known as China National Materials Group Corporation), the controlling shareholder and 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
"Qilianshan Co."	Gansu Qilianshan Cement Group Company Limited (甘肅祁連山水泥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600720)
"Qilianshan Holdings"	Gansu Qilianshan Building Materials Holdings Company Limited (甘肅祁連山建材控股有限公司), a limited liability company incorporated under the laws of the PRC
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Saima Industry"	Ningxia Saima Industry Co., Ltd. (寧夏賽馬實業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600449), a subsidiary of the Company
"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 Changde"	Sinoma Niuli (Changde) Cement Co., Ltd. (常德中材牛力水泥有限公司), a subsidiary of the Company
"Sinoma Energy Conservation"	Sinoma Energy Conservation Ltd. (中材節能發展有限公司), a subsidiary of the Parent
"Sinoma Fan Blades"	Sinoma Tech Wind & Power Blade Co., Ltd. (中材科技風電葉片股份有限公司), a 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 Hengda"	Sinoma Hengda Cement Co., Ltd. (中材亨達水泥有限公司), a 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 Mining"	Sinoma Mining Construction Co., Ltd (中材礦山建設有限公司), a wholly-owned subsidiary of the Company
"Sinoma Pingxiang"	Sinoma Pingxiang Cement Co., Ltd. (中材萍鄉水泥有限公司), 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 Investment"	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司), one of the domestic shareholders of the Company
"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 the Company
"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), a subsidiary of Parent and one of the promoters of the Company

Definitions

"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
"Sinoma Xiangtan"	Sinoma Niuli (Xiangtan) Cement Co., Ltd (湘潭中材牛力水泥有限公司), a subsidiary of the Company
"Zhengda Cement"	Jiangxi Zhengda Cement Co., Ltd. (江西正大水泥有限責任公司), a limited liability company incorporated under the laws of the PRC
"Zibo Hi-Tech"	Zibo New & Hi-Tech Venture Capital Co., Ltd. (淄博高新技術風險投資股份有限公司), one of the promoters of the Company

SINOMA

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