



2008年 年度 报告

ANNUAL REPORT 2008

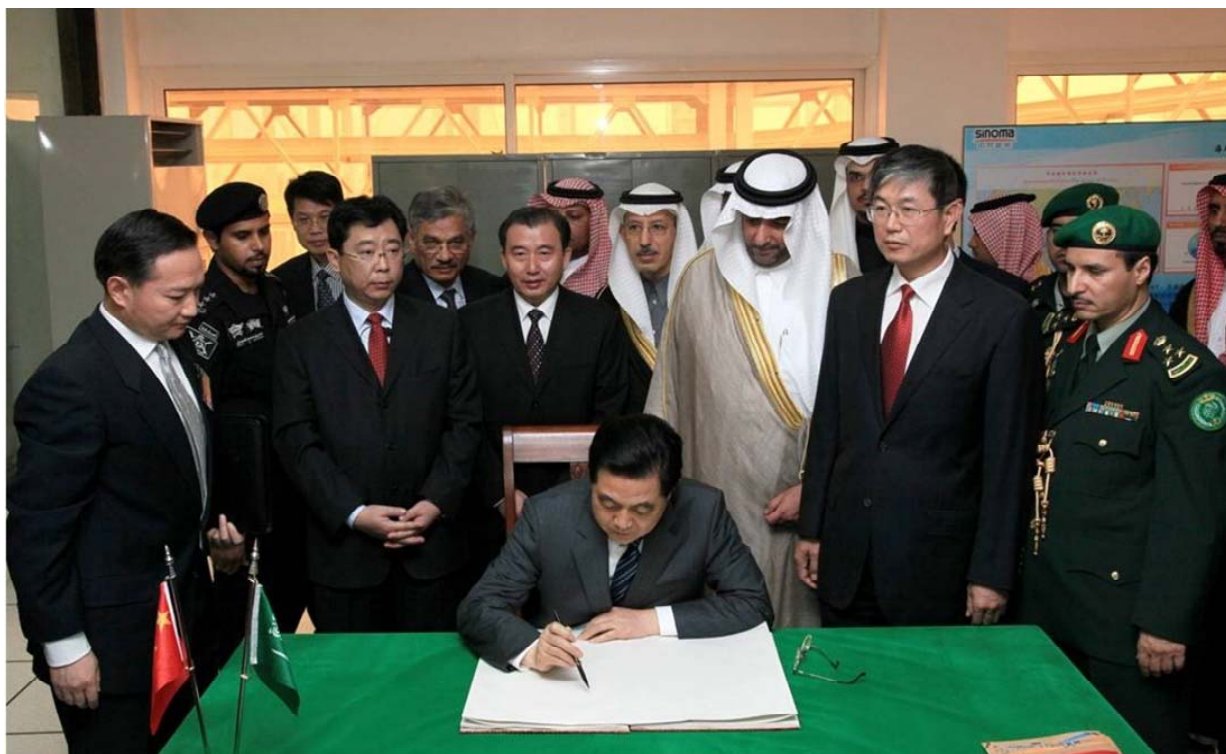
中国中材国际工程股份有限公司

Sinoma International Engineering Co., Ltd.

股票代码：600970



Sinoma International Engineering Co., Ltd.
Annual Report 2008



Feb. 11, 2009 China President Hu Jintao Visit Sinoma International and Inscribe Inspiring Words.

深化务实合作
造福两国人民

胡锦涛

二〇〇九年二月十一日



TAN Zhongming, General Manager of Sinoma Group and LIU Zhijiang, Chairman of Sinoma International, accompanied with China President Hu Jintao visit Sinoma International.



WANG Wei, CEO of company to introduce company situation to China President Hu Jintao

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I . Important Notes

(I) The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management guarantee that there is no false recording, misleading statement or significant omission in the information of the Report, and assume individual liability and joint liability for the facticity, accuracy and completeness of the contents of the Report.

(II) Shinewing Certified Public Accountants Co., Ltd. provides standard audit report with clean opinion for our Company.

(III) Liu Zhijiang, the Chairman of the Company, Yu Kaijun, the director of accountancy, and He Feng, the director of accounting department (officer-in-charge of accounting) declare that the facticity and completeness of financial report in the Annual Report is guaranteed.



RCC 5000TPD EPC Project in Saudi Arabia

II. Basic Information of Sinoma International

Legal Chinese name of the Company	
Abbr. of legal Chinese name of the Company	
Legal English name of the Company	Sinoma International Engineering Co., Ltd.
Abbr. of legal English name of the Company	Sinoma-int
Legal representative of the Company	Liu Zhijiang

Information of Secretary of the Company's Board of Directors

Name of secretary of Board of Directors	Jiang Zhongwen
Address of secretary of Board of Directors	Sinoma International Engineering Co., Ltd. , No. 16 North Wangjing Road, Chaoyang District, Beijing
Telephone No. of secretary of Board of Directors	010—64399502
Fax of secretary of Board of Directors	010—64399500
E-mail of secretary of Board of Directors	600970@sinoma.com.cn

Information of securities representative of the Company

Name of securities representative	Yang Zexue
Address of securities representative	Department of Securities Investment of Sinoma International Engineering Co., Ltd. , No. 16 North Wangjing Road, Chaoyang District, Beijing
Telephone No. of securities representative	010-64399503
Fax of securities representative	010-64399500
E-mail of securities representative	600970@sinoma.com.cn
Registered address of the Company	No. 32 Linhuai Street, Jiangning Development Zone, Nanjing, Jiangsu
Business address of the Company	Sinoma International Building, No. 16 North Wangjing Road, Chaoyang District, Beijing
Zip code of business address of the Company	100102
Website of the Company in Internet	http://www.sinoma.com.cn
E-mail of the Company	sinoma@sinoma.com.cn
Name of newspaper for information disclosure selected by the Company	China Securities Journal, Shanghai Securities News
Website specified by CSRC to publish annual report	http://www.sse.com.cn
Place for providing annual report of the Company	Department of Securities Investment of Sinoma International, No. 16 North Wangjing Road, Chaoyang District, Beijing

Briefing of Company stock

Stock class	Listed stock exchange	Abbr. of the stock	Stock code	Abbr. of the stock before change
A share	Shanghai Stock Exchange	Sinoma International	600970	

Other relevant information

Date of first registration of the Company	December 28, 2001
Place of first registration of the Company	3/F, 28# Building, Development Zone of High-tech Industry, Nanjing, Jiangsu
Date of change in registration of the Company	June 23, 2005
Place of change in registration of the Company	No. 32 Linhuai Street, Jiangning Development Zone, Nanjing, Jiangsu
Registration No. of business licence for enterprise legal person	1000001003614 (2-1)
Tax registration No.	Jiangsu Jiangning Tax Su Zi No. 320121710929340
Code of organization	71092934-0
Information of certified public accountants hired by the Company	
Name of domestic certified public accountants hired by the Company	Shinewing Certified Public Accountants Co., Ltd.
Business address of domestic certified public accountants hired by the Company	9/F Fuhua Building A, No. 8 North Street, Chaoyang Gate, Dongcheng District, Beijing

III. Abstract of Accounting Data and Business Data**(I) Major accounting data**

Unit: yuan Currency: RMB

Item	Amount
Operating profit	775,795,559.98
Total profit	643,714,215.24
Net profit assigned to stockholders of the listed Company	311,707,952.14
Net profit assigned to shareholders of the listed Company after deducting non-recurring profit and loss	441,043,963.21
Net amount of cash flow generated in operating activities	4,266,498,431.61

(II) Item and amount of non-recurring profit and loss

Unit: yuan Currency: RMB

Item of non-recurring profit and loss	Amount
Profit and loss of nonliquid assets disposal	16,893,628.51
Government subsidy included in current profit and loss, which is related to normal operation business of the Company, excluding government subsidy in accordance with regulations of state policy and continuously enjoyed based on certain fixed quota of amount.	10,256,192.58
Profit and loss of fair value change generated in holding transaction financial assets and transaction financial liabilities, and investment income obtained in disposing transaction financial assets, transaction financial liabilities and marketable financial assets, excluding effective hedging business related to the normal operation business of the Company.	2,573,147.20
Receivables for impairment test to be impaired and returned	11,200,000.00
Other non-operating income and expenditure besides the above items	-159,231,165.83
Amount influenced by minority shareholders' equity	-27,426,908.08
Amount influenced by income tax	16,399,094.55
Sum	-129,336,011.07

(III) Major accounting data and financial index of the Company for the first three years at the end of report period

Unit: yuan Currency: RMB

	2008	2007	Increase or decrease in this year than in last year (%)	2006
Operating income	14,092,396,292.88	12,370,934,192.43	13.92	9,361,110,012.02
Total profit	643,714,215.24	598,022,278.81	7.64	484,319,893.91
Net profit assigned to stockholders of the listed Company	311,707,952.14	254,310,121.18	22.57	243,920,071.72
Net profit assigned to shareholders of the listed	441,043,963.21	225,779,262.03	95.34	224,492,954.72

Company after deducting non-recurring profit and loss				
Basic earnings per share (yuan/share)	1.86	1.51	22.57	1.45
Diluted earnings per share (yuan/share)	1.86	1.51	22.57	1.45
Basic earnings per share after deducting non-recurring profit and loss (yuan/share)	2.63	1.34	95.34	1.34
Fully diluted return on net assets (%)	29.69	25.91	increase by 3.78%	29.75
Weighted average return on net assets (%)	28.97	27.79	increase by 1.18%	30.90
Fully diluted return on net assets after deducting non-recurring profit and loss (%)	42.00	22.94	increase by 19.06%	28.05
Weighted average return on net assets after deducting non-recurring profit and loss (%)	40.99	24.61	increase by 16.38%	28.96
Net amount of cash flow generated in operating activities	4,266,498,431.61	1,576,804,364.74	170.58	1,086,205,650.09
Net amount of cash flow generated in operating activities of each share (yuan/share)	25.40	9.39	170.58	6.47
	end of 2008	end of 2007	Increase or decrease at the end of this year than at the end of last year	end of 2006
Total assets	18,949,870,868.81	9,785,551,724.15	93.65	8,359,442,279.15
Owner's equity (or shareholders' equity)	1,050,018,656.66	981,673,193.10	6.96	819,800,285.82

Net assets per share assigned to shareholders of the listed Company (yuan/share)	6.25	5.84	6.96	4.88
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IV. Information of Change in Capital and Shareholders

On February 23, 2009, the the Company's application for issuing shares to specific object and purchasing assets and related transaction was audited and approved by the Auditing Committee of Listed Company Merger and Reorganization of China Securities Regulatory Committee (CSRC). On March 30, 2009, the Company received *Reply concerning Approving Sinoma International Engineering Co., Ltd.'s Issuing Shares to Tianjin Zhongtian Science and Technology Development Co., Ltd. and Purchasing Assets* (Regulatory Permit [2009] No. 258) from CSRC, which approved the Company to issue 42,898,391 RMB common shares specific to Tianjin Zhongtian Science and Technology Development Co., Ltd. to purchase relevant assets.

For the issue of Sinoma International Engineering Co., Ltd.'s issuing 42,898,391 shares specific to Tianjin Zhongtian Science and Technology Development Co., Ltd. to purchase relevant assets, the Company completed registration procedure of share transfer at Shanghai Branch of China Securities Depository and Clearing Co., Ltd. (CSDCC) on April 8, 2009. After issuing 42,898,391 shares specific to Tianjin Zhongtian Science and Technology Development Co., Ltd., the total amount of share of the Company shall be 210,898,391 shares.

(1) Information of controlling shareholder of legal person

Unit: thousand yuan Currency: RMB

Name	Legal representative	Registered capital	Date of founding	Main business
Sinoma Co., Ltd.	Tan Zhongming	3,571,464	June 22, 1987	Items of licenced operation: dispatching labors required for implementing contracted foreign building material industry installation engineering abroad (valid until October 17, 2012). Items of general operation: research, development, production and sales of non-metallic inorganic materials; design, production and sales of products of non-metallic inorganic materials application; main contract of

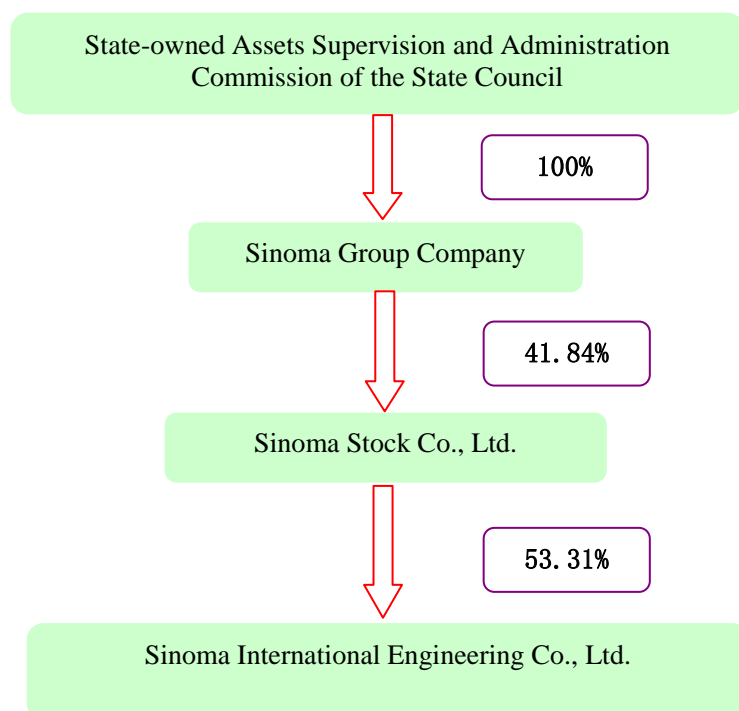
engineerings; engineering consultation and design; import and export business; building engineering and leasing of mining machinery and sales of accessories; technical consultation and technical service related to the above business.

(2) Information of actual controller of legal person

Unit: thousand yuan Currency: RMB

Name	Legal representative	Registered capital	Date of founding	Main business
Sinoma Group Company	Tan Zhongming	1,671,846	November 16, 1983	Research, development, design, production and engineering contract of non-metallic materials and synthetic materials (including glass fiber, composite materials of fiber glass reinforced plastics, artificial lens, industrial ceramics, cement and products, concrete, and new type wall materials); mining and working of non-metallic minerals and products; the investment management of engineering projects of the above materials; consultation concerning assets reorganization and enterprise merging, taking over and transfer; entrusted assets operation; contracting foreign engineering of building materials and non-metallic mining and domestic engineering with international bidding; dispatching labors to implement the above-mentioned foreign engineering abroad; sales of vehicles (limited to the system, and cars are allocated and supplied within the system plan).

(3) Block diagram of property right and control relationship between the Company and the actual controller



V. Directors, Supervisors and Senior Management

Members of Board of Directors:

Chairman: Liu Zhijiang Deputy Chairman: Wu Shoufu

Directors: Tan Zhongming, Wang Wei, Si Guochen, Yu Xingmin, Xia Zhiyun

Independent directors: Zhang Renwei, Chen Guangfu, Liu Ping, Yu Yunhui

Members of Board of Supervisors

Chairman of Board of Supervisors: Zhang Jiang

Supervisors: Lu Ying, Zhao Hong, Lu Yang, Cao Ling

Team of Operation Management

President: Wang Wei

Deputy Presidents: Wu Shoufu, Yu Xingmin, Xia Zhiyun, Wu Xuanmin, Xing Tao, Jiang Zhongwen (secretary of Board of Directors), Peng Jianxin, Jiao Feng, Shen Jun, Zhao Huifeng, Fang Fang

Chief financial officer (CFO): Yu Kaijun

(III) Information of Company personnel

By the end of the report period, the total number of Company personnel is 8952, with a structure as follows:

1. Specialty composition

Specialty class	Number of people
Management personnel	1,483
Research development personnel	1,841
Sales personnel	156
Full-time auditing personnel	25
Full-time discipline inspection personnel	6
Production personnel and others	5,441

2. Education level

Education class	Number of people
Master	376
Bachelor	2,677
Junior college students	1,407
Secondary specialized students and below	4,492

VI. Company Administration Structure

(I) Information of Company administration

The Company has constantly perfected the administration structure with checks and balance among the general meeting of shareholders, the Board of Directors and the Board of Supervisors. Based on *Corporation Law*, *Securities Law* and other laws, the Company has revised *Articles of Association*, *Rules of Procedure of Meeting of Shareholders*, *Rules of Procedure of Board Meeting*, *Implementing Rules of Special Committee of Board of Directors*, and *Detailed Rules of President Work*, and has formulated and implemented specific rules and regulations and implementing rules including *Independent Director Working System*, *Regulation of Internal Auditing Work*, *Management Method of Company Labor Contract*, *Working System of Annual Report of Independent Directors*, *Working Regulation of Annual Report of Auditing Committee of Board of Director of Company*, *Management System of Investor Relationship*, preliminarily establishing a Company administration and internal control system with high maneuverability and defined power and responsibility in accordance with the Company's business development and characteristics of equity structure. With standardized operation in accordance with national laws and regulations and Company system, the Company has constantly explored and established a performance evaluation and encourage mechanism based on Company characteristics, laying solid foundation for the long-term steady and healthy development of the Company.

Company administration during the report period was as follows:

1. Shareholders and general meeting of shareholders

Strictly in accordance with regulations of *Opinion of Standard of Meeting of Shareholders of Listed Company*, *Articles of Association* and *Rules of Procedure of Meeting of Shareholders* of the Company, the Company held general meeting of shareholders and hired lawyer to witness the procedures of general meeting of shareholders, so as to make sure that all the shareholders of the Company exercise their power justly. The Company actively carried out investor relationship management, making the shareholders of the Company learn the production and operation of the Company timely, conveniently and accurately.

2. Relation between the controlling shareholder and the Company

The Company strictly defined the relation with the controlling shareholder and actual controller. Independent operation is realized in multiple aspects including system formulating and implementing, labor division arrangement of personnel and organization, assets management, production and operation, and financial management, with open, fair and just relevant connected transaction.

3. Director and Board of Directors

The Board of Director was changed smoothly for another term in 2008. According to relevant regulations of Corporation Law and Articles of Association, the Company carefully examined the qualification of candidate referrer, the officeholding qualification and duty execution ability of candidate, and then carried out the election at expiration of term to establish the 3rd Board of Directors. The Board of Directors consists of 11 directors, including 4 independent directors. The specialty structure and personnel composition of the members of Board of Directors met the requirements of laws and regulations. The Board of Directors set up Strategy and Investment Committee, Auditing Committee, Salary and Examintaion Committee, and formulated detailed working rules for speical committees. The directors of the Company can attend board meeting and general meeting of shareholders with serious and responsible attitude, actively participate relevant training, learn relevant legal knowledge, and perform duty sincerely and diligently.

4. Supervisors and Board of Supervisors

The Company paid attention to developing the function of the Board of Supervisors. In 2008, the Company selected the members of the 3rd Board of Supervisors of the Company strictly in accordance with the procedures of supervisor selection prescribed in *Corporation Law* and *Articles of Association*. The Board of Supervisors of the Company consists of five supervisors. The composition of the Board of Supervisors of the Company met the regulations of *Corporation Law* and *Articles of Association*. The Company has followed the system of board meeting with supervisor in attendance and rules of procedure of Board of Supervisors. Audit opinion in written for the regular report of the Company is provided and the duty is exercised seriously. The Company made the best of the opportunity of training organized by Jiangsu Securities Regulatory Commission

and Shanghai Stock Exchange, to reinforce the study and training of all the members of Board of Supervisors on the operation of Board of Supervisors; the Company paid attention to the communication between management layer and supervisors in production and operation activities, making sure that supervisors can get general knowledge of the Company, participate in the supervising during the process of Company operation and effectively play the supervising role of Board of Supervisors.

5. Information disclosure and openness

Under the direction of the secretary of Board of Directors, the Department of Securities Investment of the Company carried out information disclosure, received call and visit of shareholders. The Company has built effective channel to communicate with shareholders. The information disclosure work of the Company is implemented strictly in accordance with the requirements of securities supervising and control authority. Facticity, accuracy and completeness is achieved to make sure that every shareholder has equal chance to obtain information in time, so as to protect the interest of shareholders, especially minority shareholders.

6. In regard to stakeholder

The Company fully respected and protected the lawfull rights and interest of stakeholders including creditors, personnel and member enterprises, and actively cooperated with them to promote the sustainable and healthy development of the Company together. It was proved by the practical operation of the Company that standardized legal person administrationstructure, scientific dicision implementing system and effective supervising mechanism of checks and balance provided guarantee for the operation of the Company.

7. Information of special administration activities of the listed Company

According to the requirements of the document *Notification concerning Issues Related to Developing the Reinforcement of Special Activity of Listed Company Administration* (Securities Regulator Company Zi [2007] No. 28) issued by CSRC on March 9, 2007 and the announcement of CSRC ([2008] No. 27), the Company reviewed every link of Company administration on the basis of the requirements of relevant laws and regulations. The Company observed relevant supervising and control requirements strictly and developed special administration work actively. The Company disclosed the rectifying and improving report of the special activity of Company administration in China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange on November 8, 2007. The Company has finished all the rectifying and improving work within specified period, complement and perfect a series of basic management system and operation standard system of legal person administration, fully completing the rectifying and improving work of the special activity of Company administration.

The development of the special activity of Company administration perfected the institutional system with Articles of Association as the core, practically enhanced the Company's level of internal control and

standardized operation, made the decision-making of the Company more scientific and perfect, improved the quality and efficiency of Company operation, and effectively promoted the operation capacity and core competitiveness of the Company.

(II) Information of internal control system establishing and perfecting of the Company

Strictly in accordance with laws and regulations including *Corporation Law*, *Securities Law* and *Guidance of Articles of Association of Listed Company*, and the requirements of *Guidance of Internal Control of Listed Company* of Shanghai Stock Exchange and *Basic Standard of Internal Control of Enterprise* issued by five Ministries including the Ministry of Finance, the Company examined the internal control system and establish an organization system meeting the requirements of modern enterprise and a perfect internal control system on the basis of the practical situation of the Company. The internal control system of the Company covered every major link of business activity. The Company specified the decision authority and internal control procedure of relevant organizations, implemented examination of annual target with responsibility system on operation group, established comprehensive management mechanism to protect against operational risk in accordance with daily important operation activity, ensuring the high efficiency operation of the decision, implementing and supervising system of the Company. The Company would also continuously perfect the internal control system of the Company in accordance with relevant regulations of laws and regulations and the practical condition of Company administration.

During the report period, based on the effective implementation of existing internal control system and according to the change of internal and external environment, the Company revised and perfected *Articles of Association*, *Rules of Procedure of Meeting of Shareholders*, *Management System of Information Disclosure* and *Detailed Rules of President Work*. The Company set up auditing department and allocated full-time auditing personnel. The Company formulated Procedures of Auditing Work to audit the financial income and expense and relevant operation activities, internal control system and implementation thereof of the Company and subordinate entities, promoting and ensuring the effective operation of internal control.

The Board of Directors, every special committee and the Board of Supervisors seriously perform their duties. Full-time auditing and legal personnel is provided by the Company to play an important role in the perfection of the Company's internal control.

The Board of Directors of the Company carried out self-evaluation of internal control during the current year, and no significant defect has been found in the internal control design and implementing of the Company. According to the *Basic Standard of Internal Control of Enterprise* jointly issued by five ministries, the Company will begin to implement the Standard on July 1, 2009. Therefore, the Company will straighten and perfect various system and regulations of the internal control of enterprise, reinforce the internal management and control of enterprise risk management, and further reduce the operation and management risk of enterprise based on the requirements of the Standard.

VII. Brief Introduction of Meeting of Shareholders

The first extraordinary meeting of shareholder of the Company in 2008 was held on March 10, 2008. *Motion concerning Generla Election of Board of Directors, Motion concerning General Selection of Board of Supervisors and Motion concerning Adjusting Benefit of Independent Directors* were examined and approved in the meeting.

The second extraordinary meeting of shareholders of the Company in 2008 was held on July 11, 2008. *Motion concerning External Guarantee of Controlling Subsidiary and Proposal concerning Hiring Interim Audit Agency in 2008* were examined and approved in the meeting.

The third extraordinary meeting of shareholders of the Company in 2008 was held on September 16, 2008. *Pre-planning of Interim Profit Distribution of Company in 2008 and Motion concerning Revising Articles of Association* were examined and approved in the meeting.

The fourth extraordinary meeting of shareholders of the Company was held on October 27, 2008. *Motion concerning Company Issuing Shares and Purchasing Assets in accordance with Relevant Laws and Regulations, Motion concerning Sinoma International Engineering Co., Ltd. Issuing Shares to Specific Object and Purchasing Assets and Connected Transaction, Motion concerning Report of Sinoma International Engineering Co., Ltd. Issuing Shares to Specific Object and Purchasing Assets and Connected Transaction, Motion concerning Entering into Agreement of Private Issuing Share and Assets Purchasing and Compensation Agreement, Auditing Report and Asset Evaluation Report Related to Current Transaction, Motion concerning Recommending Meeting of Shareholders to Grant Board of Directors Full Authority on Affairs Realed to the Project, and Motion concerning Connected Transaction between Company Controlling Subsidiary Suzhou Sinoma Construction Co., Ltd. and Ningxia Saima Industrial Co., Ltd. and its Controlling Subsidiary Ningxia Qingtongxia Cement Co., Ltd.* were examined and approved in the meeting. Werein, the second motion was examined and approved in items.

VIII. Report of Board of Directors

(I) Discussion and analysis of management layer

1. Review of Industrial Situation of Global Cement Engineering during Report Period

As an industry of basic raw material, cement engineering is closely related to macroeconomy period and the fluctuation in fixed asset investment. With the constant evolution of global financial crisis in 2008, the world's microeconomy underwent violent fluctuation, and the cement engineering industry was also greatly influenced.

In the first half of 2008, global commodity price continued to maintain a posture of rapid increase, the price of bulk commodity such as steel and non-ferrous metals in international market was soaring, resulting in rising enthusiasm of cement investors. However, the tendency of macroeconomy in the first half of 2008 brought huge pressure to the production cost of cement engineering companies.

In the second half of 2008, the financial crisis gradually influenced entity economy and expanded to the world rapidly. Owing to the pessimistic anticipation of future market and tense capital flow, especially planning project delay or cancel appeared in international cement engineering market in the fourth season, market demand decreased for a short period. Violent fluctuation of exchange rate between various currencies was generated. Since September, the exchange rate between Euro and RMB and U.S. dollars had undergone a rapid devaluation. The strength of RMB brought big risk of devaluation to the exchange contract and assets of international engineering companies. Meanwhile, the change in microeconomy caused price fall of important materials and service related to the production cost of cement engineering companies such as steel and ocean freight in the second half of 2008, and positive condition for gross profit ratio was brought.

In 2008, global cement market (excluding China) had a new-added production capacity of about 130 million tons, with a year-on-year increase of about 4%.

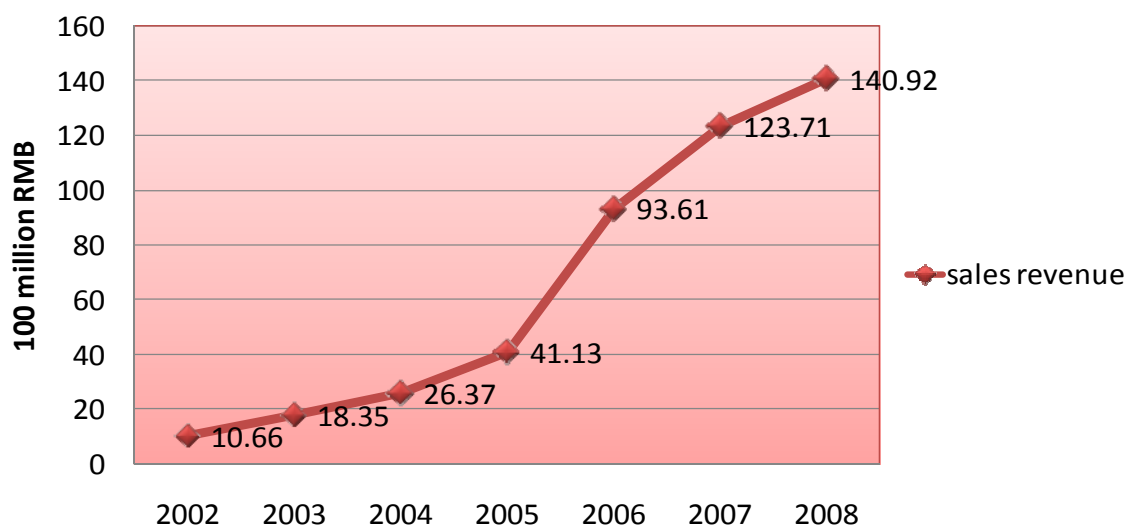
2. Review of Company operation during report period

In 2008, with EPC and EP as the major business patterns, the Company further promoted the internationalization process of the Company in aspects such as market development and project operation, etc. Facing the global financial crisis and its impact on entity economy, the Company further optimized internal management and actively took measures to restrain the influence of negative factors, ensuring the smooth implementation of project and the enhancement of earning capacity.

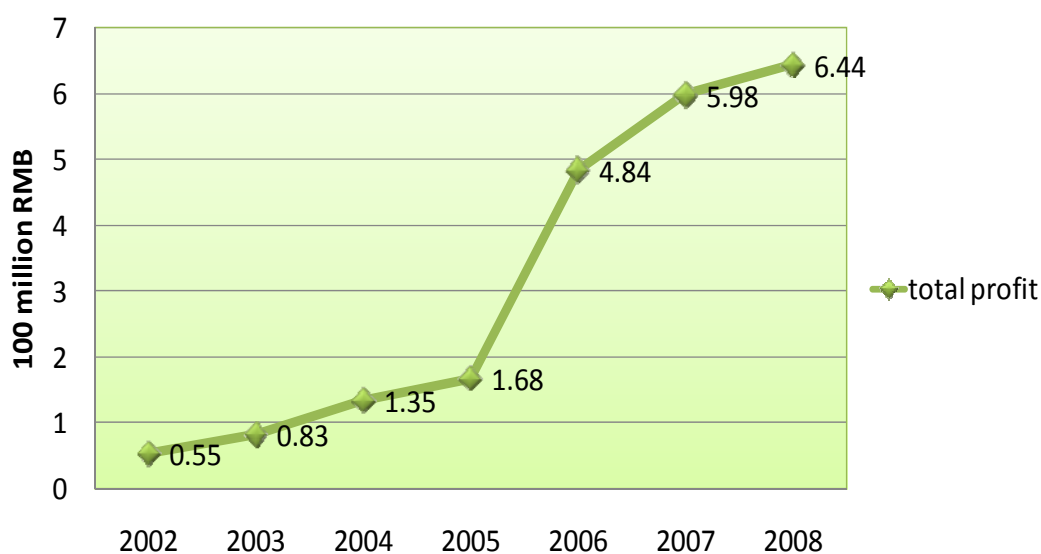
(1) Operation performance steadily increased and position in international market rapidly rose.

During report period, the operation performance of the Company continued to maintain rapid growth, and both operating income and net profit created new records. The Company achieved operating income of 14 billion yuan with a year-on-year increase of 13.92%, achieved operating profit of 776 million yuan with a year-on-year increase of 37.96%, and achieved a total amount of profit of 644 million yuan with a year-on-year increase of 7.64%, and achieved net profit assigned to shareholders of the listed Company of 312 million yuan, with a year-on-year increase of 22.57%.

Sales Revenue Trends 2002-2008



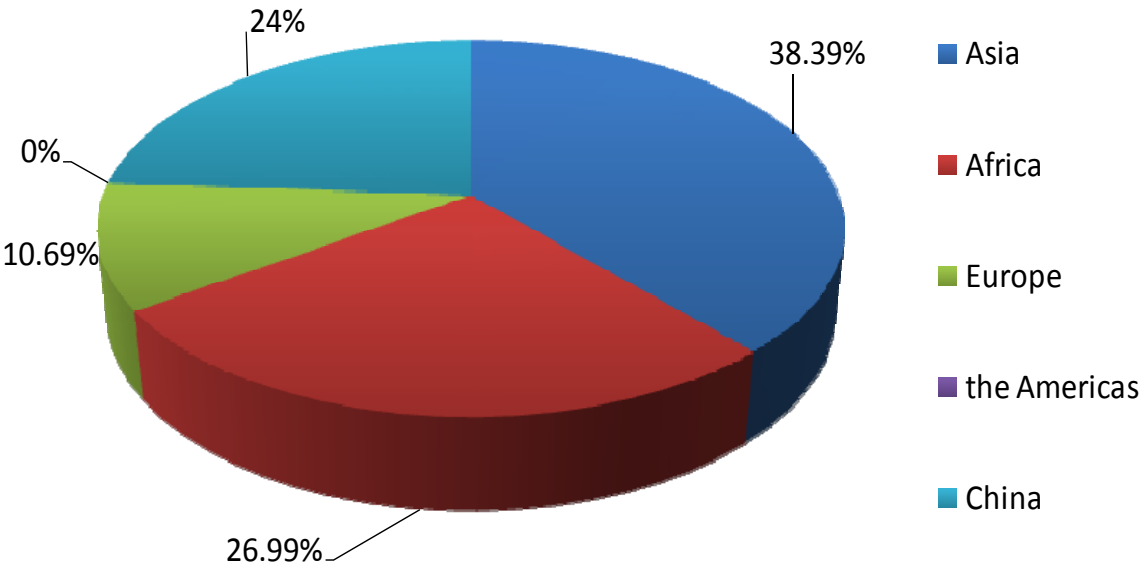
Total Profit Trends 2002-2008

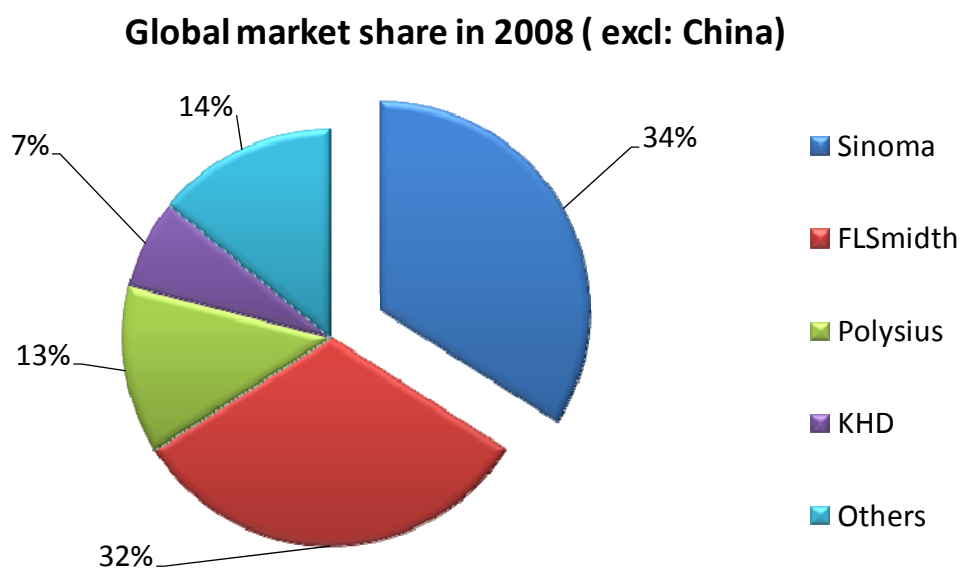
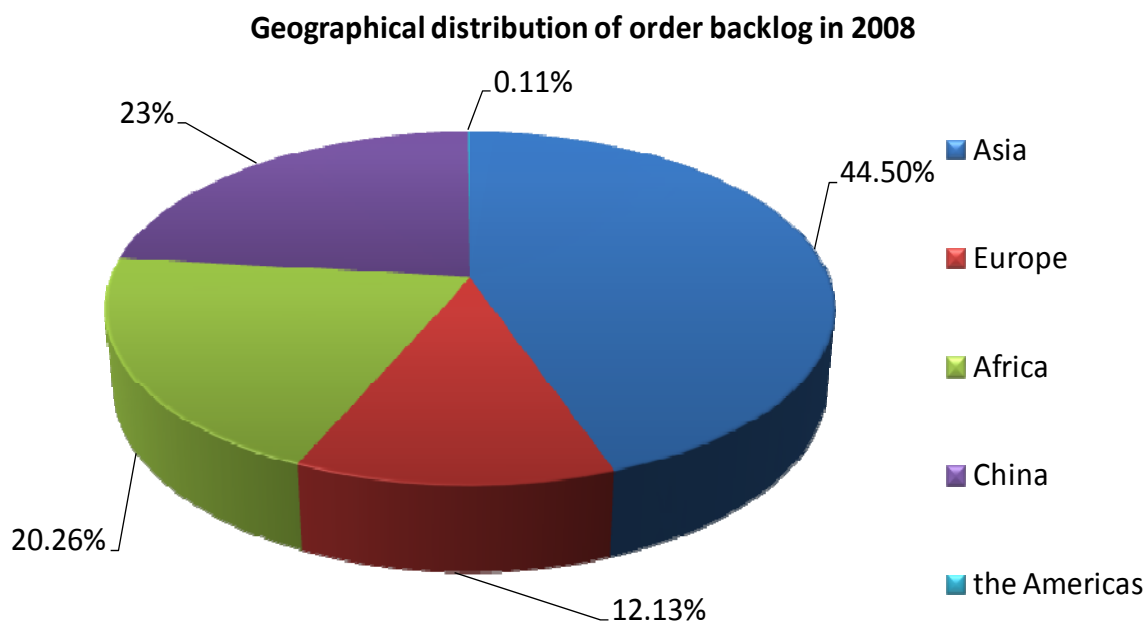


In 2008, the Company signed cement engineering contract with an amount of 32.6 billion yuan (the amount of contract for the delayed part of Nigeria Dangote Project announced on December 12, 2008 and the amount of contract for the canceled line of Syria ABCC Project announced on January 15, 2009 have been deducted) with a year-on-year increase of 36.4%, including foreign contract with an amount of 24.8 billion yuan which occupied 76% of the total amount of new contract in 2008, and domestic contract with an amount of 7.8 billion yuan which occupied 24% of the total amount of new contract in 2008. According to the statistics of relevant agency, the Company had an international market share of 34% (excluding Chinese market) in 2008, rising to No. 1 in the world. The contract amount in 2008 carried forward to be implemented in 2009 was about 46.4 billion yuan. By the end of 2008, the Company had entered the market of 46 countries and regions in Europe, America, Asia and Africa, resulting in rapidly enhanced position in global market.



Geographical distribution of order intake in 2008





(2) Major project ran smoothly and technical innovation achieved breakthrough.

In 2008, the Company overcame many negative factors including frequent adjustment of macropolicy, complex environment of project operation and stressed internal resource, etc., making foreign projects run smoothly.

In 2008, nearly 100 domestic and foreign production lines of engineering design, engineering installation and main contract of engineering, etc. the Company participated in were completed smoothly. Wherein, after two years' construction, the main contract project of Saudi Arabia SCC2×10000t/d with significant influence in

the world was successfully ignited in April 2008 and output cement in August 2008. Saudi Arabia RCC Project and Saudi Arabia CCC Project obtained final acceptance certificate (FAC) issued by proprietors in succession, which was the first FAC Chinese companies have obtained in Saudi Arabia.



SCC2×10000TPD EPC Project in Saudi Arabia

The 2X6000t/d clinker cement production line engineering of second phase engineering of TCC (Yingde) Cement Co., Ltd. contracted by the Company to build obtained certificate of performance successfully. The main contract projects of four complete clinker cement production lines with daily output of 6000 tons for TCC were completed and put into operation in succession, creating a new record of main contract construction of domestic cement engineering.

The outstanding achievement of Sinoma International in the field of international cement engineering has drawn the attention of state leaders. During his visit to Saudi Arabia, President Hu Jintao specially inspected Saudi Arabia RCC Project of Sionma International on February 11, 2009. During the inspection, President Hu eagerly encouraged Sionma International to "continue to uphold technical innovation, give full play to own advantage, and enhance competitiveness in international market".

In 2008, the Company made the most of technical strength of research design, resulting in more than 20 achievements with provincial and ministerial identification and nearly 20 technologies with state patent licencing. Meanwhile, the Company further optimized new dry cement production technology, developed new generation of cement production technology composed of core equipment of large scale raw material roll mill, travelling stationary flow cooler and high thrust burner, etc. and put it into use. In aspect of energy consumption, the technology can save 7% of energy than advanced operation line in operation at present and has been put into engineering application by now.

In 2008, National Engineering Research Center of Cement for Energy-saving and Environment Protection was established with the approval of National Development and Reform Committee; Zhongtian Shiming National Enterprise Technology Center obtained the joint qualification of five ministries including National Development and Reform Committee; national support project "new type dry cement technology and equipment research" passed the examination of the Ministry of Science and Technology.



Cement Mill



Roller Mill

(3) Company administration and internal management were further reinforced.

During the report period, the Company smoothly completed the term change of Board of Directors and Board of Supervisors and hiring of a new team of operation management; the Company perfected the regulations of the Company and the system of information disclosure, etc., further perfecting the institutional system with regulations as the core; by sending directors to participate in the decision-making and management of subsidiaries, the Company audited and supervised subsidiaries in various forms, further improving the management and control capacity of the Company.

In 2008, according to business process of market operation, development, engineering design, equipment manufacture, project management, engineering construction, customer service, and engineering supervising, etc., the Company formed a command system of unified production, operation and organization of parent company and reinforced the business function of parent company.

(4) Organization structure and business process further came into focus

In order to solve problems of scattered stakeholders and low efficiency of resource utilization, the Company actively promoted equity unifying of minority shareholders in 2008. The conventional systematic

obstacle was removed and the integral competitiveness of the Company would be enhanced. On February 23, 2009, after the examination of by the Auditing Committee of Listed Company Merger and Reorganization of China Securities Regulatory Committee (CSRC), the Company's application for issuing shares to specific object and purchasing assets and connected transaction was approved. The completion of specific issuance adding will greatly upgrade the profit level of the parent company. Most controlling subsidiaries will become wholly-owned subsidiaries. Company administration will be simplified and organization layers will decrease. Great change will also take place in the internal environment of the Company. Major problems which have troubled the Company for years such as scattered interest groups and scattered value orientation will be solved.

5. Prospect of the Company's furtuer development

(1) Industry development trend

In aspect of domestic market:

A. Cement demand was increased under the positive influence of domestic policy. Since September 2008 till now, China has repeatedly unveiled positive expansive fiscal policies: railway investment plan with an amount of 2000 billion yuan put forward by the Ministry of Railways; transportation investment plan with an amount of 5000 billion yuan put forward by the Ministry of Communication; the 10 measures to stimulate domestic demand and the comphensive investment plan to investment 4000 billion yuan in the following two years. All these show that the government is trying to realize "increase security" by enlarging fixed asset investment (mainly in the field of infrastructure construction). A series of investment plans has caused obvious change in the prosperity anticipation of cement industry in market. The growth rate of cement demand will be higher than former anticipation.

B. Cement industry development was promoted by the structural adjustment of eliminating backward production capacity. In 2008, the proportion of new type dry cement clinker increased to 61% from 51% at the end of 2007. It is estimated that the proportion of new type dry method may increase to 70% in 2009.

C. Imbalanced regional development promoted continuous thriving cement demand.

In aspect of international market:

A. Analysis of demand in international cement market in furture

Based on market demand and under the influence of global financial crisis, it is estimated that the quantity of new order in the world (excluding China) in 2009 will remain 60-75 million tons. In the short run, new contract of large scale engineering project may encounter the risk of short-term decrease again; however, in the long run, with the unfreezing of global credit market and gradual recovery of market confidence, both the

Company and the customers estimate that the market structure condition will remain the same, in particular, the process of urbanization and industrialization in developing countries will continue to promote the gradual growth of cement demand. It is estimated that international cement market will remain a posture of relatively stable growth in future.

B. Analysis of phenomenons such as project respite and delay in international cement engineering market

Due to the global economic crisis and rapid decrease of petroleum price, the payment capacity of proprietors of some projects was greatly impacted. In addition, influenced by factors such as global credit squeeze, some projects are respited and may be continued to be respited. However, our understanding after analyzing respite is as follows. First, some projects were adjusted because the financing of construction party met certain difficulty caused by the influence of financial crisis, not the change in product demand. Therefore, the cement manufacturers seldom give up their investigated and selected construction projects easily, which means giving market and raw material resource to others. In view of these factors, we are not worried about the future prospect of projects which are respited at present.

C. Analysis of investment mentality of foreign cement proprietor

Despite the impact of global economic situation, insightful proprietors would invest during economy downturn and harvest the fruit of growth ahead of others during economy recovery. In terms of the experience of developed countries, during the period of microeconomy downturn, among the troika that fuel economic growth, consumption and export are difficult to control, while investment becomes the major means for the government to stimulate growth and smooth fluctuation. Therefore, engineering construction companies usually perform well in the phase.

(2) Market competition situation

Domestic market:

There was no big change in domestic market competition situation in 2008. The Company's business such as main contract and design remained higher market share.

International market:

In 2008, the competitiveness and bargaining power of the Company was remarkably improved. The gap of market share among major international competitors had a widening tendency. The top three of international market share were Sinoma International, FLSmidth Company and Polysius Company.

(3) The Company's development opportunity and challenge, development strategy and various business planning

1. Development opportunity

·Steady development period is to the Company's advantage to strengthen management, control risk and internal integration, gaining time for strategic rest and recuperation of the Company; short-term decrease of contract in market is advantageous to the completion of performance in projects at hand.

·In economic downturn period, lower PPI and ocean shipping price is very advantageous to the cost control of projects at hand and the enhancement of profitability level.

·At present, domestic proprietors begin to approve EPC main contract pattern. With the pulling of macropolicy in domestic market, the large amount of capital expenditure of the industry is expectable.

·The brand effect, capital strength and management capacity the Company has accumulated in domestic and foreign markets for years lay good foundation for the development of the Company.

·The Company has realized the implementation of specific issuance adding and business integration of parent company, which would further promote the effective implementation of the Company's internationalization strategy.

2. Development challenge

·It is uncertain how long the global economic downturn will last, which will further influence the recovery of cement engineering market, especially international cement engineering market.

·The uncertainty in international financial system restoration and exchange rate fluctuation would bring uncertainty to the influence level of project implementing.

·The tendency of prices such as domestic raw materials is uncertain. The possibility of high PPI in the later half of 2009 is not eliminated, which would influence the Company cost.

3. Development strategy

Main business including cement engineering and technical equipment shall be further secured based on the principles of limited, related and multiple investment, and the internationalization process of the Company shall be further promoted. The strategic cooperation relationship with important cement investors shall be

strengthened. A series of positive measures shall be taken to further exert the advantage of technology and equipment integration, to improve profit rate of projects, and to raise international market share.

(4) Operation plan for the new year

The operation plan for 2009 is that operating income increases at least 10% than that in 2008, and that net profit assigned to shareholders of the listed Company increases at least 50% than that of 2008.

Measures to be taken in work to realize the above objectives:

1. Intensifying the exploiting of domestic and foreign markets and ensuring dominant position in market.

In 2009, the Company will make the most of brand awareness and intensify the exploiting of domestic and foreign markets by means of improving service quality and ensuring construction period. While ensuring the dominant position in domestic market, the Company will reserve the dominance in international market in area of Middle East, Africa, Central Asia and Eastern Europe and enter other market as planned at the same time. The Company will continue to keep close cooperation with transnational cement investors such as LAFARGE and HOLCIM, etc.

2. Adjusting business and organization structure and implementing comprehensive risk control.

In 2009, the integration of parent company shall be gradually deepened to systematically solve problems exposed in the operation of the new business system. The business chain of main contract of engineering of parent company shall be perfected by taking measures such as organization structure adjustment, business process optimizing and human resource system reconstructing, etc. In addition, when the issuance adding is completed, the 14 subordinate controlling subsidiaries of Sinoma International will become wholly-owned subsidiaries of the Company, giving conditions to further perfect Company administration structure and improve operation capacity.

Based on the understanding of the importance of risk control in 2008, a substantive and systematic construction scheme of comprehensive risk control system shall be formulated in 2009. The rapid and steady development of the Company shall be ensured by implementing the comprehensive risk control strategy.

3. Actively advancing systematization construction towards refined management

In 2009, on the basis of business integration and organization structure adjustment, the comprehensive management function of the Company shall be given full play. Management systems such as strategy management system, overall budget management system, production operation management system, comprehensive risk management system, safety management and emergency system, investment development

and financing management system, financial management system, technical innovation management system, encourage and restraint management system, brand, enterprise image and enterprise culture management system, informationization management system, executive ability and office administration management system, etc. shall be gradually perfected within the whole Company. As well as systematization construction, basic management work and daily business work shall also move towards refined management.

4. Ensuring the performance of major projects under construction and strengthening safety production management.

In 2009, the Company shall pay special attention to the performance of projects under construction, in which more Company resource and energy of management layer shall be put. Design and control shall be reinforced for every production line under construction and every node shall be defined. Detailed and precise plan shall be formulated to realize every milestone, so as to ensure the satisfaction of customers of domestic and foreign projects under construction.

In 2009, the Company shall decompose the safety production task target, expand the range of responsibility subject, enlarge force of rewards and punishment and strictly put it into practice. Decline in alertness shall be overcome and fluke mind shall be avoided, so as to build a defensive line of idea of safety production.

5. Developing multiple equipment manufacture field

In 2009, the Company shall actively explore and change Company business' high dependence on conventional business, take the advantageous chance of price decrease of assets in market to research and search for new business field and to establish new business growth point. The principles of limited, related and multiple shall be followed to develop the field of equipment manufacture of the Company.

Based on the need of business development, the Company shall mainly invest in the field of equipment manufacture, improve the Company's ability of large scale core equipment manufacture, and innovate business pattern with the credit and brand of the Company. In order to meet the need of rapid developing global business, the Company shall select a good opportunity to build manufacture base and logistics center of spare parts and components. The funds required for the project shall be raised by means of owned fund, equity financing and bank loan, etc. on the basis of the preparation of the project.

(5) Major risks in the Company's future development and countermeasures

1. Major risks:

A. The change in industrial production capacity during economic recession may reduce the demand for the business of engineering project and equipment supply, and therefore may bring part of negative influence to our profitability capacity.

B. Since our business covers the whole world, we may face risks in politics, economy, law, operation or other aspects. It may bring negative influence to our business, operation result, financial condition and cash flow.

C. The fluctuation in exchange rate and the price of raw materials may bring uncertainty to our financial situation and operation situation.

2. Countermeasures

A. Innovating business pattern. With own deep understanding of the industry and the brand advantage in the industry, the Company shall explore new business pattern in cement engineering industry and equipment manufacture industry and find out new profit growth point.

B. Actively utilizing various effective measures to evade the risk of exchange rate fluctuation. Under the condition of continuous fluctuation in exchange rate, the Company shall pay high attention to change in exchange rate and take measures in time, including locking exchange rate, timely payment of exchange, conversion currency and effective financial tools and hedging measures, to avoid the Company's loss caused by violent fluctuation of U.S. dollars and Euro.

C. Maintaining trailing international economic situation. As an enterprise with international business as main source of income, the Company shall trail the international economic situation at any time and master the relationship among general situation and industry and own development, so as to maximize the value of the Company.

(V) Pre-planning of profit distribution or capital reserves increasing

As audited by Shينewing Certified Public Accountants Co., Ltd., the parent company achieved net profit of 285,170,630.22 yuan in 2008, 10% of which, 28,517,063.02 yuan, shall be withdrawn as legal surplus reserves as required. Undistributed profit in the beginning of the year of 75,336,679.44 yuan was added, and stock dividends of 235,200,000.00 yuan distributed according to profit distribution scheme in 2007 carried out in June 2008 and interim profit scheme in 2008 carried out in November 2008 was deducted. Therefore, the profit in 2008 to be distributed to shareholders shall be 96,790,146.64 yuan.

The Board of Directors recommends that the pre-planning of profit distribution in 2008 shall be as follows: existing total stock of 210,898,391 shares as base, shareholders are given 4 bonus shares and 0.5 yuan for every 10 shares, and 6 shares are increased for every 10 shares for capital reserves. According to the scheme, cash of 10,544,919.55 yuan shall be distributed, undistributed profit of 84,359,356 yuan is converted to capital stock

84,359,356 shares, leaving 1,885,871.09 yuan carried forward for distributed in following years, and capital reserves increase capital stock of 126,539,035 shares. After the scheme is implemented, the total stock of the Company is changed into 421,796,782 shares, wherein, the major shareholder Sinoma Stock shall hold 179,113,896 shares, which occupies 42.46%; Zhongtian Development shall hold 85,796,782 shares, which occupies 20.34%; unlimited circulation stock shall be 156,886,104 shares, which occupies 37.20%.

IX. Report of Board of Supervisors

In 2008, strictly in accordance with the requirements of *Corporation Law*, *Securities Law*, *Articles of Association*, *Rules of Procedure of Board of Supervisors* and relevant laws and regulations, the Board of Supervisors of the Company proceeded from protecting the interest of the Company and the equity of shareholders and performed supervising duty seriously, effectively supervising the operation situation, financial accounting management, major business decision, major assets purchase, connected transaction, external guarantee, internal control and duty performing of directors and senior management personnel of the Company in 2008.

(II) The independent opinion of Board of Supervisors on the Company's lawful operation

During the report period, the members of Board of Supervisors participated in the discussion of major operating decision of the Company by attending board meetings and the meetings of shareholders and supervised the financial situation and operation situation of the Company. The Board of Supervisors considered that in 2008, the Company carried out standard operation according to *Corporation Law*, *Articles of Association* and other laws and regulations with scientific and reasonable operation decision. The systems of internal management and internal control were perfected and good mechanism of internal control was established. The directors and senior management personnel performed Company duties diligently according to national laws and regulations and the rules and systems of the Company, and protecting the Company's interest, without illegal activities or which harms the interest of the Company.

(III) The independent opinion of Board of Supervisors on the Company's financial situation

During the report period, the Board of Supervisors examined and verified the financial system and financial condition of the Company, considering that the Company has complete systems of financial management and internal control, no significant omission or false record in accounting, and good financial situation and operating achievements, and that the seasonal financial report, interim financial report and annual financial report of the Company reflected the Company's financial situation and operating achievements truthfully and objectively.

Shinewing Certified Public Accountants Co., Ltd. issued a standard audit report with clean opinion, which reflected the financial situation of the Company truthfully, objectively and accurately.

(IV) The independent opinion of Board of Supervisors on the paid-in situation of the Company's latest fund raising

The Company's applying fund which was raised by first public issuance of stock and changing the application of part of raised fund was in accordance with the regulations of relevant national laws and regulations and the rules of the Company. Legal procedures of decision-making and disclosure were performed without activities which may harm the interest of the Company or shareholders.

(V) The independent opinion of Board of Supervisors on the Company's purchasing and selling assets

During the report period, the Board of Supervisors monitored and examined the Company's purchasing assets, considering that the Company issued stock to specific object to purchase assets with reasonable price without insider trading found and without damage of the interest of some shareholders or loss of assets of the Company.

(VI) The independent opinion of Board of Supervisors on the Company's connected transaction

In 2008, the Company strictly observed *Management System of Connected Transaction of Company*, carried out connected transaction at market price based on the principles of openness, fairness and justice. The Company signed connected transaction agreement with connected party in accordance with the principle of justice. The connection transactions took place during the report period had tight decision making and standard and lawful process, without insider trading or activities harmed the interest of the Company or shareholders found. The Company neither carried out illegal external guarantee against the controlling shareholder or other connected parties, nor possessed fund illegally against the controlling shareholder or other connected parties.

(VII) The independent opinion of Board of Supervisors on the significant difference between realized profit and estimated profit of the Company

Has the Company disclosed profit prediction or operating plan: yes.

In annual report 2007, the Company disclosed its operating plan for 2008 as follows: operating income increases at least 22% than that in 2007, and EBIT increases at least 17% than that in 2007, and profit increases at least 25% than that in 2007. The Company achieved net profit of 311,707,952.14 yuan, increasing by 22.57% than that in 2007, which is lower than 25%, the growth rate of net profit in annual operating plan. That is mainly caused by the influence of international financial crisis on the Company's foreign business.

X. Important Matters

1. Other important contracts

According to importance principle, the contracts with an amount above RMB 1 billion yuan signed by the Company in 2008 are listed as follows:

(1) The Company signed a main contract of seven 6000t/d cement production lines and four projects with the affiliated company of Dangote Industries Limited (to be shortened as “Dangote”) with a contract amount of 1.6 billion dollars. The exchange rate between RMB and U. S. dollars was fixed as 7.4:1. (Changed into 3 production lines)

(2) The Company signed a main contract of cement production line construction with a daily output of 10000 tons of clinker with Gongqing Cement Plant in Vietnam, with a contract amount of 172.95 million dollars. (The exchange rate between RMB and U. S. dollars was fixed as 7.05:1.)

(3) Chengdu Institute, a controlling subsidiary of the Company, signed a main contract of cement production line engineering with a daily output of 5000 tons with Asis Cement Ltd. in Russia in form of unity. The contract amount for Chengdu Institute was 143.5 million U. S. dollars. As agreed in the contract, the project shall apply fixed exchange rate (RMB: U. S. dollars=7.15:1)

(4) Sinoma Construction, a controlling subsidiary of the Company, signed a contract of cement clinker production line engineering with a daily output of 5000 tons with Lafarge Cement Wapco Nigeria Plc, with a total amount of contract of 177,104,196 euros.

(5) The Company signed a main contract of EPC engineering of 10000t/d cement production line with YANBU CEMENT COMPANY LIMITED in Saudi Arabia. The total amount of the contract was 442 million dollars.

(6) Sinoma Construction, a controlling subsidiary of the Company, signed a main contract of two production lines project with a daily output of 5000 tons of clinker and an annual output of 3.2 million tons of cement with ABCC Group in Syria. The total amount of the contract was roughly equal to 491.5 million dollars. (changed into a contract of one production line).

(7) Tianjin Institute, a controlling subsidiary of the Company, signed a main contract of 3 production lines with a daily output of 5000 tons of cement in Line 3 of Dujiangyan with Lafarge Dujiangyan Cement Co., Ltd., with a contract amount of RMB 886, 884, 256 yuan.

(8) Sinoma Construction Co., Ltd., a controlling subsidiary of the Company, signed a main contract of MYKOLAIV production line project with a daily output of 5000 tons of clinker cement with LAFARGE Group, with a contract amount of 166,736,342 euros.

(9) Sinoma Construction, a controlling subsidiary of the Company, signed a main contract of 4000TPD dry clinker production line with Garadagh Cement OJSC, with a contract amount of 169.60 million euros.

(10) Chengdu Design Institute of Building Material Industry, a controlling subsidiary of the Company, signed *Main Contract of EPC Engineering of ARC 2x6000 Ton Cement Plant in Syria* with Syria Co., Ltd. of Al Rajhi Cement Company in Syria. The total amount of the contract was 380.4 million dollars+80 million euros.

(11) Tianjin Cement Industry Design Institute Co., Ltd., a controlling subsidiary of the Company, signed a main contract of 5500TPD cement production line with El Nahda Company for Industries in Egypt, with a contract amount of 163,727,108 euros.

Influenced by the financial crisis, part of main contract of Nigeria projects and Syria projects signed by the Company in 2008 is suspended.

2. Motions related to the Company's issuing shares to specific object to purchase assets were examined and approved by the (extraordinary) decision of the 9th meeting of the 3rd Board of Directors and the 4th extraordinary meeting of shareholders in 2008. The Company planned to apply to CSRC for issuing 41,973,259 private shares of A share to Tianjin Zhongtian Science and Technology Development Co., Ltd., and Zhongtian Development shall subscribe at 1946.3 million yuan with its minority equity of 14 controlling subsidiaries of Sinoma International (including equity of Tianjin Institute 7%, Sinoma Shiming 45%, Yierxin 5%, Shiming Electromechanics 45%, Shiming Powder 35%, Zibo Shiming 35%, Shangshu Shiming 50%, Tangshan Sinoma 45%, Jiangshu Sinoma 45%, Handan Sinoma 17.57%, Sinoma Construction 23.42%, Suzhou Sinoma 18.09%, Chengdu Institute Company 46.875%, Equipment Company 35%). According to relevant decision of ex warrant/ex divide adjustment price and the approval document of CSRC, the number of share to be issued as determined finally was 42,898,391. By April 3, 2009, industrial and commercial transfer procedures for all the equity of the above 14 companies involving in assets purchase had been completed. On April 8, 2009, the registration of shares the Company issued to Zhongtian Development was completed. The total stock of the Company has been changed into 210,898,391 shares.

XI. Report of Financial Accounting

The annual financial report of the Company was audited by certified public accountants, and standard audit report with clean opinion was provided.

(I) Audit Report

Audit Report

XYZH/2008A3033

All shareholders of Sinoma International Engineering Co., Ltd.:

We have audited the financial statement of Sinoma International Engineering Co., Ltd. (hereinafter to be referred as “Sinoma International”) and the parent company attached below, including balance sheet on December 31, 2008, profit statement, cash flow statement, statement of changes in shareholder’s equity and annotations of financial statement in 2008.

It is our duty to give audit opinion on financial statement on the basis of implementing auditing work. We have implemented auditing work according to the regulations of audit norm of Chinese certified public accountant. As required by the audit norm of Chinese certified public accountant, we shall plan and implement auditing according to professional code of ethics, so as to obtain reasonable guarantee that there is no material misstatement in financial statement.

Auditing involves implementing audit process to obtain audit evidence related to the amount in financial statement and disclosure. The selection of audit process depends on the judgment of certified public accountant, including the evaluation of risk of material misstatement in financial statement caused by fraud or error. While carrying out risk evaluation, we considered internal control related to the formulation of financial statement to design proper audit process, the purpose of which is not to provide opinion on the effectiveness of internal control. Auditing also involves evaluating the appropriateness of accounting policy selected by the management layer and the rationality of accounting estimate, and evaluating the overall presentation of financial statement.

We believe that we have obtained adequate and proper audit evidence to provide foundation to giving audit opinion.

It is the responsibility of the management layer of Sinoma International to formulate financial statement in accordance with the regulations of enterprise accounting norm. The responsibility shall include: (1) to design, implement and maintain internal control related to the formulation of financial statement, so as to avoid any material misstatement caused by fraud or error; (2) to select and apply proper accounting policy; (3) to provide reasonable accounting estimate.

We consider that the financial statement of Sinoma International was formulated according to regulations of enterprise accounting norm, which fairly reflected the financial situation of Sinoma International on

December 31, 2008 and the operating achievements and cash flow of Sinoma International in 2008 in all major aspects.

Shinewing Certified Public Accountants Co., Ltd.

Chinese Certified Public Accountants: Zheng Weijun, Zhao Yuxin

April 23, 2009

(II) Financial statement

Consolidated Balance Sheet

December 31, 2008

Formulating Unit: Sinoma International Engineering Co., Ltd.

Unit: yuan Currency: RMB

Item	Note	Balance at the end of the period	Balance at the beginning of the year
Current assets:			
Monetary fund		10,553,752,480.70	3,876,684,581.91
Excess reserve for settlement			
Lended inter-bank fund			
Transaction financial assets		6,455,200.00	
Notes receivable		124,028,770.66	168,218,761.96
Accounts receivable		1,103,390,009.96	596,321,992.01
Receivables		3,134,213,966.01	1,904,722,363.27
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserve receivable			
Interest receivable			
Dividend receivable			20,742,851.97
Other receivables		408,897,210.71	246,484,059.08
Financial assets bought for sale			
Inventory		2,084,119,477.47	1,864,870,753.89
Non-current assets expire within one year			
Other current assets			56,569,861.27
Total of current assets		17,414,857,115.51	8,734,615,225.36

Non-current assets:			
Granted loan and advances			
Marketable financial asset		1,948,851.00	6,422,163.00
Investment held until expiration			
Long-term receivables			
Long-term equity investment		48,793,462.20	53,599,528.26
Investment real estate		41,545,763.26	
Fixed assets		961,694,470.27	607,449,946.16
Engineering under construction		57,089,034.98	174,571,758.47
Engineering materials		59,512.36	251,108.00
Fixed assets disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		177,037,164.81	161,896,810.30
Development expenditure			
Business reputation			
Long-term deferred expenses		179,197,961.60	6,856,881.52
Deferred income tax assets		67,647,532.82	39,888,303.08
Other non-current assets			
Total of non-current assets		1,535,013,753.30	1,050,936,498.79
Sum of assets		18,949,870,868.81	9,785,551,724.15
Current liabilities:			
Short-term loan		2,839,860,000.00	196,664,400.00
Borrowing from central bank			
Deposit taking and correspondent deposit			
Borrowed inter-bank fund			
Transaction financial liabilities		3,882,052.80	
Notes payable		232,805,241.65	88,945,860.09
Accounts payable		2,616,402,584.40	1,994,840,277.21
Advance collections		10,411,567,775.58	4,995,552,104.37
Financial assets sold for repurchase			
Handling charge and commission payable			
Staff salary payable		135,922,343.24	147,299,435.90
Tax payable		-124,433,769.13	9,079,880.52
Interest payable			
Dividends payable		183,298,470.31	87,719,377.11
Other payables		597,887,651.15	599,006,487.45
Reinsurance accounts			

payable			
Insurance contract reserve			
Account of acting marketing of securities			
Account of acting underwriting of securities			
Non-current liabilities expire within one year			
Other current liabilities		173,257,396.03	148,207,657.78
Total of current liabilities		17,070,449,746.03	8,267,315,480.43
Non-current liabilities:			
Long-term loan			
Bonds payable			
Long-term payables		237,499,907.98	13,197,004.08
Special payables		22,988,170.76	7,071,549.76
Estimated liabilities		2,255,235.81	
Deferred income tax liabilities		6,519,517.66	
Other non-current liabilities		15,379,376.54	15,695,511.62
Total of non-current liabilities		284,642,208.75	35,964,065.46
Sum of liabilities		17,355,091,954.78	8,303,279,545.89
Equity of shareholders:			
Capital stock		168,000,000.00	168,000,000.00
Capital reserve		412,348,512.86	420,350,639.07
Minus: treasury stock			
Surplus reserve		72,007,855.32	43,490,792.31
General risk preparation			
Undistributed profit		391,674,834.82	344,483,945.69
Foreign currency statement translation difference		5,987,453.66	5,347,816.03
Sum of equity assigned to the owner of parent company		1,050,018,656.66	981,673,193.10
Equity of minority shareholders		544,760,257.37	500,598,985.16
Total of shareholders' equity		1,594,778,914.03	1,482,272,178.26
Sum of liabilities and shareholders' equity		18,949,870,868.81	9,785,551,724.15

Legal representative of Company: Liu Zhijiang Director of accountancy: Yu Kaijun Director of accounting department: He Feng

Consolidated Profit Statement

January—December 2008

Unit: yuan Currency: RMB

Item	Note	Amount in the period	Amount in previous period
I . Gross operating income		14,092,396,292.88	12,370,934,192.43
Including: operating income		14,092,396,292.88	12,370,934,192.43
Interest income			
Earned premium			
Income of dealing charge and commission			
II . Gross operating cost		13,324,966,057.11	11,803,873,515.06
Including: operating cost		12,227,014,039.76	11,070,118,628.01
Interest expense			
Expense of dealing charge and commission			
Surrender value			
Net amount of compensation expense			
Net amount of withdrawn insurance contract reserve			
Policy dividend expense			
Reinsurance cost			
Business tax and surcharges		109,059,262.76	75,040,436.80
Selling expense		128,906,819.63	142,581,862.27
Management cost		613,929,287.25	495,413,958.00
Financial cost		134,369,128.58	1,552,155.50
Loss from asset devaluation		111,687,519.13	19,166,474.48
Plus: earnings from change in fair value (loss to be listed with “-”)		2,573,147.20	
earnings from investment (loss to be listed with “-”)		5,792,177.01	-4,719,003.99
Including: earnings from investment in associated enterprises and joint enterprises		4,839,796.01	79,528.26
Exchange earnings (loss to be listed with “-”)			
III. Operating profit (loss to be listed with “-”)		775,795,559.98	562,341,673.38
Plus: non-operating income		55,470,841.31	42,349,158.24
Minus: non-operating expense		187,552,186.05	6,668,552.81
Including: net loss non-current assets disposal		6,704,802.56	2,709,308.33
IV . Total profit (total loss to be listed with “-”)		643,714,215.24	598,022,278.81
Minus: income tax expense		140,008,784.03	189,732,583.67
V . Net profit (net loss to be listed with “-”)		503,705,431.21	408,289,695.14
Net profit assigned to the owner of parent company		311,707,952.14	254,310,121.18
Equity of minority shareholders		191,997,479.07	153,979,573.96
VI. Earnings per share			
(I) basic earnings per share		1.86	1.51
(II) diluted earnings per share		1.86	1.51

Legal representative of Company: Liu Zhijiang Director of accountancy: Yu Kaijun Director of accounting department: He Feng

Consolidated Cash Flow Statement

January—December 2008

Unit: yuan Currency: RMB

Item	Note	Amount in the period	Amount in previous period
I . Cash flow generated in operating activities			
Received cash in selling commodity and providing service		19,438,168,126.91	13,686,719,135.19
Net increase of customer deposit and correspondent deposit			
Net increase of borrowing from central bank			
Net increase of borrowed inter-bank funds from other financial organizations			
Received cash of premium of original insurance contract			
Net amount of received cash of re-insurance business			
Net increase of savings			
Net increase of transaction financial assets disposal			
Received cash of interest, dealing charge and commission			
Net increase of borrowed inter-bank fund			
Net increase of fund in re-purchase business			
Received tax refunds		129,284,092.02	280,837,395.74
Other received cash related to operating activities		1,039,574,566.63	352,807,467.25
Subtotal of cash inflow in operating activities		20,607,026,785.56	14,320,363,998.18
Paid cash in buying commodity and accepting service		13,212,496,171.99	10,553,493,269.78

Net increase of customer loan and advances			
Net increase of account deposited in central bank or correspondence			
Paid cash of compensation of original insurance contract			
Paid cash of interest, dealing charge and commission			
Paid cash of policy dividend			
Cash paid to personnel and paid for personnel		718,549,865.49	689,239,771.92
Paid taxes and fees		563,716,572.36	454,508,182.66
Other paid cash related to operating activities		1,845,765,744.11	1,046,318,409.08
Subtotal of cash outflow in operating activities		16,340,528,353.95	12,743,559,633.44
Net amount of cash flow generated in operating activities		4,266,498,431.61	1,576,804,364.74
II. Cash flow generated in investment activities			
Received cash from withdrawn investment		9,100,000.00	731,665.00
Received cash from obtained investment earnings		21,695,232.97	3,193,569.07
Net amount of withdrawn cash from disposing fixed assets, intangible assets and other long-term assets		8,502,049.75	18,205,107.77
Net amount of received cash from disposing subsidiaries and other operating units			
Other received cash related to operating activities			
Subtotal of cash inflow in investment activities		39,297,282.72	22,130,341.84
Paid cash to acquire fixed assets, intangible assets and other long-term assets		305,291,040.84	261,696,456.37
Paid cash in investment		66,765,304.00	126,651,085.20
Net increase of pledge loan			
Net amount of paid			

cash to acquire subsidiaries and other operating units			
Other paid cash related to investment activities			
Subtotal of cash outflow in investment activities		372,056,344.84	388,347,541.57
Net amount of cash flow generated in investment activities		-332,759,062.12	-366,217,199.73
III. Cash flow generated in fund raising activities			
Received cash in absorbing investment		29,280,000.00	40,010,000.00
Including: cash received by subsidiaries in absorbing the investment of minority shareholders		29,280,000.00	40,010,000.00
Received cash in acquiring loan		2,911,375,750.00	513,187,200.00
Received cash in issuing bonds			
Other received cash related to fund raising activities			
Subtotal of cash inflow in fund raising activities		2,940,655,750.00	553,197,200.00
Paid cash in repaying debts		258,425,400.00	908,644,248.58
Paid cash in distributing dividend and profit or paying interest		343,990,321.07	203,154,756.13
Including: dividend and profit paid to minority shareholders by subsidiaries		112,497,720.20	
Other paid cash related to fund raising activities		2,460,000,000.00	1,788,372.03
Subtotal of cash outflow in fund raising activities		3,062,415,721.07	1,113,587,376.74
Net amount of cash flow generated in fund raising activities		-121,759,971.07	-560,390,176.74
IV. Influence of changes in exchange rate on cash and cash equivalent		-38,480,540.72	1,010,722.49
V. Net increase of cash and cash equivalent		3,773,498,857.70	651,207,710.76
Plus: residual amount of cash and cash equivalent at the beginning of the period		2,808,660,317.94	2,157,452,607.18

VI. Residual amount of cash and cash equivalent at the end of the period		6,582,159,175.64	2,808,660,317.94
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Legal representative of Company: Liu Zhijiang Director of accountancy: Yu Kaijun Director of accounting department: He Feng

XII. List of Documents for Future Reference

1. Accounting statement signed and sealed by legal representative, director of accountancy and director of accounting department (officer-in-charge of accounting).
2. Original audit report sealed by the Certified Public Accountants Co., Ltd. and signed and sealed by certified public accountants.
3. All the original documents and announcements of the Company disclosed publicly during the report period in newspapers designated by CSRC.

Sinoma International Engineering Co., Ltd.

Chairman: Liu Zhijiang

April 25, 2009

Appendix I : Self-evaluation Report of Internal Control of the Company

Self-evaluation Report of Internal Control by Board of Directors of Sinoma International Engineering Co., Ltd.

It is the duty of Board of Directors and management layer of the Company to establish, perfect and effectively implement internal control. Our Company establishes, perfects and effectively implements internal control on the basis of the principles of importance, comprehensiveness, checks and balance, adaptability and cost-effectiveness. The objective of our Company's internal control is: to promote the realization of enterprise development strategy; to improve operating efficiency and effect; to provide true and complete financial report and relevant information; to ensure assets security; to properly make sure that the enterprise is operated and managed in accordance with laws and regulations.

Internal control is inherently limited, so only reasonable guarantee can be provided to achieve the above objective; moreover, the effectiveness of internal control may change with the changes of the internal and external environment and the operation of the Company. The internal control of our Company is provided with supervising mechanism. Once defect in internal control is identified, our Company will take rectifying and improving measures immediately.

Whiling establishing and implementing internal control system, our Company have mainly considered the following basic factors: goal setting, internal environment, risk confirmation, risk evaluation, risk management strategy selection, control activity, information communication and examination supervising, eight factors stated in *Guidance of Internal Control of Listed Company of Shanghai Stock Exchange*.

I . Overview of current activities of internal control

(I) Goal setting

With top-ranking international engineering companies as benchmark, the Company will continue to perfect the system of technical innovation and management innovation, constantly enhance system integration service capacity, become a top-ranking enterprise in the industry of cement engineering and technical equipment manufacture in the world, and realize sustainable development of the Company.

(1) Strengthen strategy management

Based on the changes of internal and external environment in front of the Company, the Board of Directors defines the strategic positioning of the Company, further researches the development direction, business scope and business pattern of the Company, and explores business growth point. Feasible measures are formulated to promote the implementation of the strategy. The Company establishes an organization

framework to achieve strategic goal and defines business sector function positioning, improving strategy management capacity.

(2) Continue to enhance global competitiveness of main business

The internationalization operation of the Company shall be further advanced. First, the Company will continue to maintain absolute advantage in engineering design, installation, main contract business in mid-end and high-end domestic market; second, in international market, the Company will consolidate regional advantage in regions including Middle East, Africa and Southeast Asia, etc., and will fully expand market in regions Eastern Europe, Central Asia, South Asia, South and North America, etc., striving to break through in new market areas; third, the Company will strengthen the strategic cooperation relationship with major cement investors; fourth, the Company will innovate main business pattern with the Company's good credit and experience. The Company will take a series of measures to further give play to the advantage of technology and equipment integration, so as to improve profitability of projects and increase international market share.

(3) Ensure the performance of major projects under construction and reinforce safety management work

The Company will further reinforce resource allocation and first ensure resource required by engineering enters into delivery period by communicating with proprietors. Based on summarizing the experience of implementing previous foreign projects, the Company will manage to achieve precise plan, proper authorization, clear responsibility and good control, improving the capacity and level of project organizing and implementing, and ensuring the satisfaction of customers of domestic and foreign projects.

The Company will further compact the foundation of safety production. The Company will start from implementing responsibility system of safety production to perfect permanent mechanism of safety production. The Company shall continue to strengthen safety production education, further reinforce the concept of safety first, overcome decline in alertness and avoid fluke mind, and build a defensive line of idea of safety production.

(4) Perfect technical innovation system and accelerate equipment business development

In 2008, the Company will integrate research and development resource based on the requirement of cultivating first-class technical innovation capacity, explore and establish systematic mechanism of investment in research and development, making sure that the Company always stands at commanding height of industry technical innovation. The Company will reinforce resource allocation and form a reasonable pattern in technical equipment industry. The Company will expand industry size by forms of purchase and new construction, accelerating the development, popularizing, manufacturing and service of new energy-saving and low-consumption technology and equipment.

(5) Strengthen capital operation and support the rapid development of the Company

The Company actively explores new approach of development, pays close attention to investment opportunity in fields related to main business, tries to expand new method and channel of financing, reinforces strategic cooperation between bank and enterprise, establishes reasonable structure of equity financing and bonds financing and strives to reduce assets liability ratio, proving support for the rapid development of the Company.

(6) Continue to improve management level and strengthen the construction of enterprise culture

In 2008, the Company will carry out benchmarking with top-ranking international enterprises, carefully scan existing business process, establish and perfect the Company's risk evaluation management system and internal control system. In particular, the Company shall perfect basic management systems including investment, guarantee, purchase, research and development, human resource and project management, etc., forming a process management system with distinct gradations, proper structure, close combination and smooth operation.

With the objective of "building first-class domestic brand and world famous brand in cement engineering", the Company shall enhance the reputation and brand value of "SINOMA". Establish the value of "people first, result-oriented, innovative development, and pursuit of excellence", strengthen the staff's value acceptance, ensuring the harmony development of the Company.

(II) Internal environment

1. Enterprise culture

The Company has paid attention to enterprise culture construction for years. Since it was founded, the Company has taken "always reading customer demand and always creating company value" as the operation philosophy of the Company, and tried to realize the Company's vision of "domestic leading and international ranking" with the development idea of "excellence, rapidity and coordination".

With the acceleration of the Company's internationalization process, the Company starts from quality education and safety education of personnel, strives to build the brand of excellent foreign construction team, and infuses the idea of competitive engineering into the practice of personnel. By perfecting party-mass and trade union mechanism, the Company moulds personnel's conscientious and meticulous spirit in political level, so as to satisfy the requirement of strategic development of the Company.

2. Human resource and salary management

According to relevant national laws and regulations such as *Labor Law* and the practical situation of the Company, the Company has formulated *Personnel Management System*, including recruitment, probation, training, salary and welfare, reward and punishment, etc., standardizing human resource management of the Company. Besides, the Company has established specific *Performance and Responsibility Appraisal System*, examining the capacity, attitude and achievement of the staff including management personnel.

3. Administration structure

(1) The perfecting of standardized operation and administration structure of the Company during report period

The Company has constantly perfected the administration structure with checks and balance among meeting of shareholders, Board of Directors and Board of Supervisors. According to *Corporation Law*, *Securities Law* and other laws, the Company has revised *Articles of Association*, formulated and implemented specific rules, regulations including *Rules of Procedure of Meeting of Shareholders*, *Rules of Procedure of Board Meeting*, *Implementing Rules of Special Committee of Board of Directors*, and *Detailed Rules of President Work*, establishing a Company administration and internal control system with high maneuverability and defined power and responsibility in accordance with the Company's business development and characteristics of equity structure. With standardized operation in accordance with national laws and regulations and Company system, the Company has constantly explored and established a performance mechanism of evaluation and encourage based on Company characteristics, laying solid foundation for the long-term steady and healthy development of the Company. During the report period, the administration of the Company was as follows:

(a) In respect of shareholders and general meeting of shareholders

The Company held meeting of shareholders strictly in accordance with the requirement of rules for shareholders' meeting of listed companies and the rules of procedure of shareholder's meeting of the Company, making sure that shareholders, especially minority shareholders enjoy equal position and fully exercise their power, without activities violated the interest of minority shareholders.

(b) In respect of controlling shareholder and the Company

With standardized acts, the controlling shareholder strictly implemented the duty of good faith to the Company, the public and shareholders prescribed in Articles of Association, without exceeding the limit of authority as shareholder to directly or indirectly intervene in the Company's decision-making and various operating activities, without damaging the legal interest of the Company or other shareholders by means of connected transaction, profit distribution, assets reorganization, foreign investment, and security for loan, etc. The Board of Directors, Board of Supervisors and other agencies of the Company run independently.

(c) In respect of Director and Board of Directors

The Board of Directors consists of 11 directors, including 4 independent directors. The specialty structure and personnel composition of the members of Board of Directors met the requirements of laws and regulations. During the report period, the Company had held 15 board meetings. All the directors attended board meetings and meetings of shareholders diligently, seriously participated in the instruction and training organized by intermediaries, understood the rights and obligations of directors, and did the duty of good faith and diligence. The Board of Directors of the Company can provide objective evaluation independent of operating management layer for significant matters of the Company and provide strategy instruction for the enterprise, ensuring legal and scientific decision of the Company's Board of Directors. The Board of Directors had strong capacity to monitor the management layer and maintained effective supervising, making sure that every decision made by the Board of Directors was implemented.

(d) Supervisors and Board of Supervisors

The Board of Supervisors of the Company consists of five supervisors. The number of people and the personnel composition of the Board of Supervisors of the Company meet the requirements of laws and regulations. The Board of Supervisors performs duty independently, supervising the validity and compliance of duty performing of directors, president and other senior management personnel. The Board of Supervisors is responsible for all shareholders. The members of the Board have attended every board meetings and providing examination opinion for the Company's regular reports, seriously performing the duty.

(e) In respect of information disclosure and openness

The secretary of Board of Director of the Company coordinates and organizes affairs of information disclosure. The information of the Company is disclosed publicly in designated media. The Company has established effective channels to communicate with shareholders, disclosing real, accurate and complete information to shareholders in time and making sure that every shareholder has equal chance to obtain information.

(f) In respect of stakeholders

The Company fully respected and protected the lawfull rights and interest of stakeholders including creditors, personnel and member enterprises, and actively cooperated with them to promote the sustainable and healthy development of the Company together.

It was proved by the practical operation of the Company that standardized legal person administration structure, scientific decision implementing system and effective supervising mechanism of checks and balance provided guarantee for the operation of the Company

(2) Special activities of administration of the listed Companies in 2008

During the report period, based on the requirement of CSRC and Jiangsu Securities Regulatory Commission, the Company completed various tasks according to relevant requirements. In order to ensure the smooth development of special activities of administration of the Company, the Company determined the chairman as the first person liable for the special activities of administration of the Company, the secretary of Board of Directors as specific person in charge, and the Department of Securities Investment as specific directing department, and subsidiaries established corresponding leading organ and responsible department, so as to promote the work in every phase of the special activities of administration of the Company in order.

4. Internal audit supervising

The Company has established a supervising and inspection system covering two layers of the headquarters and subsidiaries, ensuring the implementing quality of internal control by professional self-inspection or inviting third party to inspect and evaluate control implementing in every business field.

The Company has formulated *Rules of Internal Audit*. The Department of Auditing carried out internal audit supervising on the operating activities, financial revenue and expenditure, economic benefit, economic responsibility of leaders during term of office of the Company, wholly-owned companies and controlling companies of the Company, and inspected and evaluated the establishment and implementation of the Company's internal control system. The internal audit department is attached to the Auditing Committee of Board of Director of the Company and is directed led by the president and deputy president. In case of any major problem found in auditing process, the department can directly report it to the Auditing Committee or president office to promote improvement and perfecting. Every subsidiary is provided with independent or part-time internal audit department, which carries out internal audit supervising on operating activities, financial revenue and expenditure, economic benefit and the economic benefit of project directors of the subsidiary and accepts the business instruction of the Department of Auditing of headquarters. The Board of Supervisors of the Company monitors the illegal or noncompliant activities of directors, president and other senior management personnel while implementing Company duty. When the interest of the Company is damaged by the activities of directors, president and other senior management personnel, the Department is required to correct it and report to the meeting of shareholders or relevant national authority when necessary, so as to perform the function of supervising key management personnel.

(III) Risk identification and countermeasure

The Company evaluates risks exist in its environment and in its operation and provides specific countermeasures for existing risks. Identified risks and countermeasures thereof mainly involve that following aspects:

a) Macropolicy risk

(a) Export rebate rate

Energy crisis and reduced trade surplus urges China to reduce export rebate rate and to impose export tax on some products. The impact on cement production line with steel as main raw material is obvious. In addition to preparing countermeasure during the cushioning period of state policy, the Company takes the influence of reduction of export rebate on the Company's profitability into account during the process of bidding and quoting.

(b) Foreign exchange control and exchange rate risk

The compression of loan size in China was impacted by international hot money inflow and the expansion of foreign currency loan caused by the appreciation of RMB. Therefore, due to foreign exchange inflow, the Administration of Foreign Exchange formulated special spolicy of exchange settlement and sales. Exchange loss was caused by the trend of the accpreciation of RMB, which enlarged project cost. The explosion of financial crisis and the depreciation of euro created huge impact on the Company's euro contract and increased exchange loss. The Company made use of part of forward foreign exchange transaction to lock risks, and actively obtained corresponding compensation by approach of claim to reduce the impact of fluctuation in exchange rate. While signing contracts, the Company considered exporting exchange rate risk by way of locking exchange rate.

(c) Explosion of financial crisis and compression of foreign market size

The financial tsunami has spreaded to Europe and Africa. High-end customers including Heidelberg, Lafarge, and Nigeria DANGTO, etc. compressed investment size, while banks compressed cash flow. Some signed contracts are suspended and the market share of the Company was impacted. While actively responding to financial crisis and projects suspended by proprietors, the Company also exploited new market and consolidated market share in Middle East.

b) Operating risk

(a) Pressure of change in operating strategy of competitors on the Company's cost and profit

International competitors such as large scale engineering companies including KHD and Polysius have changed their operating strategy. They cooperates with Chinese cement equipment manufacturers and threatens the foreign market expansion of our Company with low cost and price advantage in China, in particular, their mature experience in engineering management and brand advantage severely challenges the conventional management pattern of our Company. For domestic competitors, there is not only challenge from high-end rivals, but also competition pressure from low-end building and installation engineering companies. Under the Company's operating strategy of gradual going abroad, some domestic advantageous projects were obtained by rising domestic engineering companies, resulting in gradually raising pressure of cost. Specific to the change of environment, the Company studies and weighs the situation and claims to enlarge the force in equipment manufacture development. In particular, the Company begins useful exploration in energy-saving and emission-reducing advocated by the state and product update, testing and developing some cement equipment products with proprietary intellectual property rights. The Company conditionally strengthens cooperation with competitors, especially subcontract and joint contract with low-end rivals, achieving win-win cooperation.

(b) Cost pressure caused by rise in price of raw materials under main contract pattern

Main contract pattern is a double-edged sword, which wins large orders and contains high risk, especially the risk of construction period and price. Cost risk mainly centers on the rise of price of raw materials. Due to the pattern of fixing construction cost of main contract, compensation can not be obtained from proprietors when raw material price rises. Therefore, the cost breakthrough of price of materials such as steel, cement and crude oil directly causes reduction of expected earnings of projects. In face of risk of material price rise, the Company reduces the impact of price rise of raw materials by way of increasing proportion of advances of contracts, placing order to suppliers in advance, centralized purchasing, optimizing design and sharing resource, etc.

(c) Risk of quality, safety and progress of engineering

For engineering projects with main contract pattern, despite larger absolute amount of profit, there is risk of quality, safety and progress of engineering. For foreign projects obtained by cost advantage, the product quality of home-made equipment and the service quality of domestic labor subcontract become the key issue to influence the progress and construction safety of engineering project and influence the quality of engineering. During the process of selecting equipment manufacture subcontractors and labor subcontract companies, the Company picks qualified sub-manufacturer and subcontractor by formulating strict bidding process, hedges and transfers part of risk by means of bank guarantee and margin, enlarges safety investment on project site and implements strict technical disclosure of construction safety. The Company has established own safety construction specifications and work flow especially during the process of communicating with Lafarge that has rich experience in engineering safety. In progress management, the Company sets special department of equipment construction to supervise and inspect the construction progress of equipment sub-manufacturer.

Logistics system comprehensively arranges urgently needed equipment according to field construction requirement. It is better to obtain signed bill of proprietors for field construction, so as to prevent buckpassing in time of final acceptance and to avoid compensation for delayed construction in the aspect of construction period.

(d) Unknown potential risk in overseas market

Overseas market contains many uncertain factors, such as human environment, legal environment and political environment, etc., which greatly impact the implementation of projects. The Company not only actively applies skilled consulting agents such as Japan Marubeni to strengthen sufficient investigation in countries in which projects exist, but also strengthens contact with China embassies and commercial department in countries in which projects exist and obtains sufficient information. In addition, the Company gradually establishes emergency pre-planning to standardize treatment process for emergency.

c) Management risk

(a) It is difficult for the extensive management pattern of the industry itself to adapt to increasingly complex economic environment especially the environment of world economic integration

As a skilled engineering company, facing the increasing complex market pattern and competition environment of integration of international economy, the Company fully has realized that it becomes difficult for the extensive method of engineering management to adapt the change. Without breakthrough and innovation in management, the healthy and steady development of the Company will be greatly restricted. The Company not only enlarges force of refined management, but also begins reorganization of business process. Meanwhile, the force of business function integration is reinforced to concentrate advantage strength and to make good for deficiency. Several subsidiaries with scattered power aggregate composite force by unified personnel shareholding platform. Company resource is gradually integrated with professional cooperation. A group company according to our own business characteristic is built.

(b) The management means and experience of forecasting and risk control is insufficient

The uncertainty of risk of engineering projects results in remedy after event instead of prevention before event, which accords with the characteristics of many conventional domestic engineering companies. The Company has fully realized that comprehensive risk management and strengthening internal control are necessary means to overcome the above deficiencies. The Company not only strengthens cooperation with large-scale international risk management and consulting agencies to discuss the organization framework and theoretical basis of comprehensive risk management, but also carries out knowledge training related to risk management, risk control of business process and discussion of risk management in business level, gradually

standardizing and establishing a comprehensive system of risk management according to the development of the Company in theory and in practice.

(c) Rule of man management does not adapt to legal management and legal risk rises.

It is difficult for the rule of man management method of conventional engineering companies to suit engineering projects with internationalized operation. Rule of law management becomes an essential management method to solve risk control. For systematic engineering, without standardized system process and effective system support, many key links may be omitted and the implementation of engineering projects may be impacted with individual capacity. The Company gradually standardizes the Company's systematic operation and hedges legal risk by means of dividing job responsibility, sorting business process and utilizing external audit, especially authentication systems of ISO Quality, Environment and Safety.

(IV) Establishment and perfection of internal control system

1. Establishment and perfection of internal control system

The rules and regulations of the Company are the basic behavior norms for staff and the important basis for departments to carry out self-control, so the Company pays special attention to the construction work of system of rules and regulations, formulating strict verification process. The Company's construction of internal control system places extra emphasis on standardizing business process, perfecting management system and defining responsibility of departments and posts. The Company has summarized and cleared all the internal management system, and supplemented and perfected the management system according to found business risk point, including: first, defining responsibility of departments and posts; second, formulating *Work Instructions* and standardizing business process; third, internal control of finance.

2. Gradually establishing authorized management system

The Company has gradually built a complete authorization system, prescribing authorization of relevant business in various business systems. The formulation of management system of every department of the Company shall not be implemented until strict verification process is performed. The Company formulates asking and reporting system of important issues, prescribing the format and content of report and limit of authority of approval specifically.

3. Major business activities control

(a) Bidding and signing order

The Company has established a bidding team, which consists of relevant personnel from Market Department, Technical Center, Commercial Internal Control Department and Financial Department, etc. Market Department takes the lead to trail and know the dynamic condition of projects; Technical Center and Commercial Internal Control Department are in charge of formulating technical bidding document and commercial bidding document; and Financial Department is in charge of handling letter of guarantee. During the process of contract negotiation and signing, the formulation of contract risk evaluation and countermeasure is prescribed in *Work Instructions*.

(2) Engineering budget cost

The Commercial Internal Control Department of the Company is in charge pf formulating project budget cost, which shall be approved by president office meeting and divided as project cost index for implementation in relevant business departments. Project budget shall be modified occasionally according to changes in projects. Relevant responsible departments are required to submit statement of budget implementing and to analyze reason, maintaining project cost in controllable state.

(3) Funds

The Company has formulated a fund management system with both lines of income and expense, raising and distributing project fund through the headquarters of the Company. The Project Department is required to submit the statement of plan and situation of fund application. The Company prescribes examination and approval process for the treatment of letter of guarantee and letter of credit, and prescribes that subordinate subsidiaries shall regularly report the use of limit of letter of guarantee and letter of credit.

(4) Purchase

The Company formulates strict purchase process including bidding business process, standardizes the management of purchase contract and unified payment process, standardizes the submitting process of bidding margin and performance guarantee. In particular, the Commercial Internal Control Department intensifies settlement and payment of quality security deposit with sub-manufacturer after completing projects, which has a unified management department.

(5) Engineering subcontract

The Company has formulated strict business process of engineering subcontract. For the selection of subcontractors and labor subcontract companies, the Company standardizes bidding process and establishes a list of qualified subcontractors and a feed-back mechanism, ensuring acheieving win-win cooperation with subcontractors with credit and reputation. When a project is completed, Internal Control Department carries out unified settlement, achieving unified process of engineering debt payment.

(6) Construction period control

The Company has established a process to formulate engineering construction schedule and a construction control system with project manager responsibility system. Every specialty department is required to plan and distribute resources of personnel, fund and materials comprehensively under the premise of satisfying overall requirement of construction period. Meanwhile, according to the requirements of environment and safety authentication system, the Project Department standardizes work process and strengthens safety disclosure, so as to avoid hidden danger of safety and to reduce the influence of quality and safety problems on construction period. For requirements on suppliers and subcontractors, they are specifically required to ensure quality and construction period, and corresponding penalty clauses and guarantee requirements are prescribed to ensure controllable overall construction period.

(7) Major investment

For major investment, the Company has established a system of prior budget, examination and approval before investing and audit after investing. Company acquisition is handled strictly in accordance with rules of procedure of Board of Directors and meetings of shareholders, and relevant process of examination and approval for fixed assets investment is strictly performed. Meanwhile, investment cost is controlled precisely and the duty of information disclosure is performed.

(8) Accounting system control

A good and effective accounting system can ensure the safety and completeness of assets, and can standardize financial accounting management behavior and strengthen finance and accounting, therefore, the Company has made a lot of effort in various aspects including system standardization construction, financial personnel and major accounting treatment programs, which is shown in:

A. System standardization construction

Under the premise of implementing *Enterprise Accounting Norm* and other national laws and regulations, the Company has formulated *System of Internal Accounting, Management and Control* to ensure the facticity, timeliness and validity of accounting.

B. Aspects of organization setting, personnel structure and major accounting treatment program

The Company has defined the duty division for every post in the Financial Department by the system of regulations. Based on the principle of separating incompatible duty, full-time personnel is allocated for posts to implement relevant control effectively.

The accounting system of the Company can reasonably ensure that: every transaction is confirmed without delay and described and recorded exactly; the value of transaction is precisely measured; transaction is recorded during proper accounting period and faithfully expressed and disclosed in financial statement.

(V) Information and communication

The Company has formulated various systems, including *Measures of Investor Relationship Management*, *Information Disclosure System* and *Detailed Rules of President Work*, to standardize the order of operating information transfer in the Company. During the process of daily operating, the Company has established information communication systems such as regular monthly report of business and management and irregular special report, facilitating getting the operating information of the Company comprehensively and timely. In addition, the effective operation of the Company is ensured by means of regular meetings and office meetings. The Company has optimized the process of information management, constantly improving the capacity of management decision-making and operation. In the aspect of relationship with customers, cooperation partner, investors and personnel, the Company has established complete and open communication channels, supervising Company management while perfecting communication.

(VI) Supervising and inspection

The Company has established a supervising and inspection system covering two layers of the headquarters and subsidiaries, ensuring the implementing quality of internal control by professional self-inspection or inviting third party to inspect and evaluate control implementing in every business field.

The Company has formulated *Rules of Internal Audit*. The Department of Auditing carried out internal audit supervising on the operating activities, financial revenue and expenditure, economic benefit, economic responsibility of leaders during term of office of the Company, wholly-owned companies and controlling companies of the Company, and inspected and evaluated the establishment and implementation of the Company's internal control system. The internal audit department is attached to the Auditing Committee of Board of Director of the Company and is directed led by the president and deputy president. In case of any major problem found in auditing process, the department can directly report it to the Auditing Committee or president office to promote improvement and perfecting. Every subsidiary is provided with independent or part-time internal audit department, which carries out internal audit supervising on operating activities, financial revenue and expenditure, economic benefit and the economic benefit of project directors of the subsidiary and accepts the business instruction of the Department of Auditing of headquarters. The Board of Supervisors of the Company monitors the illegal or incompliant activities of directors, president and other senior management personnel while implementing Company duty. When the interest of the Company is damaged by the activities of directors, president and other senior management personnel, the Department is

required to correct it and report to the meeting of shareholders or relevant national authority when necessary, so as to perform the function of supervising key management personnel.

II. Major Control Activities

1. Management of subsidiaries

(1) Basic pattern of management of controlling subsidiaries: General manager responsibility system is implemented on the basis of comprehensive budget management. General manager is authorized by the Board of Directors of the Company to carry out the daily operation management of controlling subsidiary. Major issues of controlling subsidiaries must be examined and approved by the Board of Directors, the meetings of shareholders and the parent company. Major issues of controlling subsidiaries in accordance with standard prescribed in *Information Disclosure Management System* of the parent company shall be viewed as activities of the Company, and shall be disclosed and announced by the Board of Directors of the Company according to regulations. Controlling subsidiaries uniformly implement the financial accounting system of the Company, and formulate their own accounting system and internal control system accordingly. The statements of controlling subsidiaries shall be listed into the consolidated annual report of the Company. The parent company carries out internal auditing system in controlling subsidiaries. Internal audit is divided into three categories: annual audit, outgoing audit and special audit. The parent company carried out comprehensive examination system in controlling subsidiaries. The Salary Committee of the Company composes an examination group that consists of personnel from departments of human resource, auditing, personnel, administration and securities to examine every controlling subsidiary once a year.

(2) The management of joint stock subsidiaries is mainly realized by lawful performance of duty of directors, supervisors and management personnel dispatched by the Company. While participating in the vote of joint stock subsidiaries for major issues, dispatched management personnel shall not exercise the voting right unless authorized by the parent company. Dispatched management personnel shall regularly or irregularly report issues concerning the three kinds of meetings, the operation and the investment development plan of joint stock subsidiaries to the parent company. Dispatched management personnel shall deliver the written resolution and motions of the three kinds of meetings of joint stock subsidiaries to the secretariat of Board of Directors of the parent Company as record as soon as possible. Dispatched management personnel shall supervise and urge joint stock subsidiaries to provide monthly financial statement and annual accounting report for the parent company, and shall assist the parent company to collect the annual distributed earnings of joint stock subsidiaries.

(3) Every controlling (joint stock) subsidiary and its director serve as the obligor for company information disclosure to exercise relevant regulations in *Information Disclosure Management System* of the parent company. Every controlling (joint stock) subsidiary shall establish a corresponding system of major information report, instructing special organization or personnel to take charge of information contact and

communication with the secretariat of Board of Directors of the parent Company. When any controlling (joint stock) subsidiary plans to hold shareholders' meeting and board meeting, the secretariat of Board of Directors of the parent Company shall be informed of the content to be considered in advance according to the regulations of the subsidiary. Any content involving the standard prescribed in *Information Disclosure Management System* of the parent company shall be viewed as the activity of the parent company and shall be disclosed according to relevant regulations.

2. Connected transaction

The Company pays special attention to the internal management of connected transaction. In order to standardize the Company's connected transaction and to ensure its fairness, the Company formulates and implements *Connected Transaction Management System* with an announcement, defining connected person and issues concerning connected transaction specifically, and prescribing the approval process, avoiding voting and information disclosure of connected transaction specifically. Starting with decision-making mechanism and before and after management, the Company has established a perfect permanent mechanism to prevent operating risk and to prevent interest delivery. In order to avoid damaging the lawful benefit of shareholders, especially minority shareholders, the Company treats the connected transaction between the Company and connected parties, and hires independent financial consultants or professional evaluation agencies to give out opinion and report when necessary. During the year, the Company actually signed connected transaction contract with an amount of 1356.18 million yuan. All independent directors agreed with newly added connected transaction and all connected shareholders avoided voting. The information was disclosed in time. No incompliant or closed connected transaction exists.

3. External guarantee

With reference to relevant regulations in *Notification concerning Further Standardizing Guarantee Behavior* of CSRC and *Rules of Stock Listing of Shanghai Stock Exchange*, etc., the Company has formulated *External Guarantee Management System*, specifying the control requirement of links of guarantee business including reviewing, approval, implementation, management and disclosure, etc., so as to control guarantee business. For all guarantees of the Company, necessary internal examination and approval process is performed, and the guarantees shall be examined and approved by the Board of Directors of the Company. Special guarantee shall not be implemented until examined and approved by the meeting of shareholders. For external guarantee of the Company, the guaranteed party may be asked to provide counter-guarantee when necessary to hedge any potential loss caused by the guarantee. During the year, the Company approved guarantee with an amount of RMB 780 million yuan, including actually implemented amount of 249.63 million yuan, which was guarantee for loan provided between controlling subsidiary Tianjin Institute and its subsidiaries Shiming Group, Changshu Shiming and Zibo Shiming. Examination and approval process was performed and announcement was made in time.

4. Use of raised fund

The Company has formulated *Management Method of Raised Fund*, managing raised funds strictly in accordance with relevant regulations of laws and regulations including *Corporation Law of the People's Republic of China*, *Securities Law of the People's Republic of China* and *Management Method of Securities Issuing of Listed Companies*. The Company applies the principle of special account deposit and earmarking for raised funds, which is uniformly managed by the headquarters of the Company. Wherein, the use efficiency of raised funds is as follows: All the committed rates of return on investment of projects exceed 20%; raised funds after change were mainly used for purchasing the main business assets of Tianjin Institute Co., Ltd. and the stock right of Sinoma Equipment & Engineering Corp., Ltd., and the net assets income ratios of the above two companies in 2008 were 32% and 44%, which is much higher than committed rates of return; the raised funds had a high use efficiency.

5. Information disclosure

According to relevant regulations in *Rules of Administration of Listed Company*, *Rules of Stock Listing of Shanghai Stock Exchange*, *Management Method of Information Disclosure of Listed Company*, *Articles of Association*, etc, the Company has formulated Information Disclosure Management System, using examination and approval in various levels to ensure that accurate and complete information is delivered to external information users properly and timely. The specific work of the definition and formulation of announcement of Company information is done by the secretariat of Board of Directors and the Securities Department, and is verified by the secretary of Board of Directors, and is disclosed when legal process of examination and approval is performed. The newspapers designated for the information disclosure of the Company are *China Securities Journal* and *Shanghai Securities News*, while the designated website is the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), besides, the Company website (<http://www.sinoma.com.cn>) and the Company's internal network are used to disclose information. A representative of securities affairs is appointed in the Securities Department of the Company to answer questions related to the Company asked by investors, and relevant personnel takes disclosed information as the basis to answer the questions of investors. At the same time, the Company publishes relevant information through the column of investor relationship management in the Company's external network as soon as possible, widely communicating with vast investors. According to relevant regulations of the Company, relevant personnel involved in information disclosure is obliged to keep information to be closed secret, and shall not reveal relevant content to the outside in any way before it is disclosed to the public. The Company's interpretation of disclosed information is performed by the secretary of Board of Directors, while any other personnel involved shall not explain the actual situation of disclosed information until authorized by the Board of Directors. The secretary of Board of Directors and the Securities Department shall collect relevant information within the whole Company according to the requirement of information disclosure. Before the information is disclosed, all relevant personnel shall be obliged to keep it secret. For any breach of duty and incompliance that brings error to information disclosure or causes loss to the Company, the person liable shall be criticized, warned and even

removed from his position. The Company will investigate the administrative and economic responsibilities of relevant person liable, and shall have right to claim for compensation to him properly.

III. Defect and rectifying and improving plan

In 2008, the Audit Department of the Company and the audit department of its controlling subsidiary Sinoma Stock inspected the headquarter and controlling subsidiaries for their construction and implementation of internal control system, audited six subsidiaries in field, and provided improving measures for non-critical defects. No major defect in internal control was found.

The Board of Directors carried out self-evaluation on the internal control of all the above aspects during the year. No major defect has been found since January 1, 2008 till the end of the report period.

The Board of Directors and management layer of the Company consider that the internal control of the Company has been complete on the whole and has been effectively implemented since January 1, 2008 till the end of the report period.

The report was examined and approved by the 14th meeting of the 3rd Board of Directors on April 23, 2009. The Company's Board of Directors and all the members thereof shall assume individual liability and joint liability for the facticity, accuracy and completeness of the contents of the Report.

The Company has not hired any certified public accountants to verify and evaluate the internal control of the Company.

Sinoma International Engineering Co., Ltd.

April 23, 2009

Appendix II : Report of Social Responsibility Performing of the Company

Report of Enterprise Social Responsibility of Sinoma International Engineering Co., Ltd. in 2008

In the unusual year of 2008, with the increasing influence of the spreading of worldwide financial crisis on entity economy, cement engineering industry was adversely impacted. As a landmark enterprise in the industry of cement engineering in the world, despite of the impact of financial crisis, Sinoma International Engineering Co., Ltd. (hereafter to be referred as “Sinoma International” overcame difficulties to realize increasing sales income, profit and tax, realizing positive and steady development of the Company. Meanwhile, the Company followed the idea of energy-saving and emission-reduction and environment protection, paid attention to personnel development, created wealth for shareholders, realizing sustainable development of enterprise with economic benefit and social benefit and contributing to social development. The Company is one of the listed companies with outstanding performance in 2008.

I . In 2008, realized rising overall achievement, maximizing wealth of shareholders, and high social contribution rate

In 2008, the Company continued to make due contribution to the healthy development of global cement industry, continued to compact the brand of Sinoma International, promoted the update of cement production process with constant innovation and proprietary intellectual property rights, promoted the adjustment of the structure of domestic cement industry with excellent capacity of project performing, and promoted the reasonable market layout of global cement industry.

In the context of increasing uncertainty of global economy, Sinoma International still maintained rapid growth in overall achievement. The Company continued to accelerate the internationalization process of main contract of cement engineering, and strengthened risk control at the same time. The Company maintained healthy and rapid development in business, realizing outstanding operating achievement.

For contract, the Company signed new cement contracts with an amount of 32.6 billion yuan (the amount of contract for the delayed part of Nigeria Dangote Project announced on December 12, 2008 and the amount of contract for the canceled line of Syria ABCC Project announced on January 15, 2009 have been deducted) during the report period, with a year-on-year increase of 36.4%, including foreign contract with an amount of 24.8 billion yuan which occupied 76% of the total amount of new contract in 2008, and domestic contract with an amount of 7.8 billion yuan which occupied 24% of the total amount of new contract in 2008.

According to statistics, the Company had an international market share of 34% (excluding Chinese market) in 2008, rising to No. 1 in the world. The contract amount in 2008 carried forward to be implemented in 2009 was about 46.4 billion yuan. By the end of 2008, the Company had entered the market of 46 countries and

regions in Europe, America, Asia and Africa, basically realizing layout in the market of major regions in the world. The Company's position in global market has been consolidated and enhanced.

During report period, the operation performance of the Company continued to maintain rapid growth, and both operating income and net profit created new records. The Company achieved operating income of 14 billion yuan with a year-on-year increase of 13.92%, achieved a total amount of profit of 644 million yuan with a year-on-year increase of 7.64%, and achieved net profit of 312 million yuan, with a year-on-year increase of 22.57%.

The outstanding achievement of the Company has drawn the attention of state leaders. During his visit to Saudi Arabia, President Hu Jintao specially inspected Saudi Arabia RCC Project of Sionma International on February 11, 2009. During the inspection, President Hu eagerly encouraged Sionma International to "continue to uphold technical innovation, give full play to own advantage, and enhance competitiveness in international market".

The Company has followed the principle of creating wealth for shareholders and the policy of cash dividends. The accumulated dividends for the last four years has a total amount of 364.5432 million yuan, occupying 44.33% of the total amount of net profit that can be distributed by shareholders in corresponding period. Along with rising achievement of the Company and continuous wealth created for shareholders, the Company has followed the principle of contributing to the society. During the report period, the Company paid tax of 752.7735 million yuan with a year-on-year increase of 11.84%, employed personnel with a number of 8952 with a year-on-year increase of 2.87%, and paid salary with an amount of 409.539 million yuan with a year-on-year increase of 9%. It is calculated that every share of the Company has social contribution value of 6 yuan, creating excellent social value for the society.

II. Promoted industry innovation and update, kept energy saving and emission reduction, protected the environment and optimized investment cost

1. The Company insisted in technical innovation, developed special technologies, special equipment and proprietary technologies, formed technology for various producing sizes between 2500t/d and 10000t/d, and promoted technical progress of the industry.

According to the requirements of national and industrial technical development, and based on consolidating the core technology of new type dry cement with proprietor intellectual property right, the Company has accelerated the research and development of new products and technical progress. The research and development covered multiple unique large-scale and home-made projects. In 2008, the research and development of the Company still gained new achievements, including multiple achievements awarded provincial and ministerial rewards. 20 technologies obtained national patent authorization, including "double-rotor beating adjustable split type cushion anvil", "sieving roll-type feeding machine" and "acentric

support cement clinker silo”. “NC type double-support rotary furnace” passed the identification of ministerial technical achievement. *Technology of Urban Household Garbage Disposal by Cement Firing System* was listed as the research subject of “Project of National Technical Support Plan” of the Department of Science and Technology”.

The Company has further optimized new dry cement production technology, developed new generation of cement production technology composed of core equipment of large scale raw material roll mill, travelling stationary flow cooler and high thrust burner, etc. and put it into use. In aspect of energy consumption, the technology can save 7% of energy than advanced operation line in operation at present and has been put into engineering application by now.

The project of coordinative treatment of sludge in cement furnace has been put into operation, which supplies domestic gap and reaches international leading level. The research of operative technology and equipment of ecological environment protection in cement industry has realized application in engineering. The Company has developed multiple special projects, including generating with fault coal and waste heat, environment protection, large-scale and home-made, etc. Meanwhile, the national supported project “research of new type dry cement technology and equipment” has passed the examination of the Department of Science and Technology, and has gained allotment above 36 million yuan for national technical project.

2. Based on the principle of energy saving and emission reduction, the Company develops circular economy, and develops technology of waste heat utilization and environment protection related to industrial chain.

As a holder of cement production technology, it is the obligatory task for the Company to insist in energy saving and emission reduction and to develop circular economy. In 2008, the Company continued to input huge labor power and material resource into the fields of waste heat utilization and environment protection technology, realizing industrialization in multiple achievements of research and development.

The Company applies pure low temperature waste heat generating technology in two forms: single-pressure steam generating and double-pressure steam generating, utilizing waste gas heat energy discharged by cement plants to the maximum and giving users maximum economic benefit. In 2008, the single-pressure and double-pressure systems were combined to the grid and put into operation. At the same time, the Company’s cement project of 100% carbide slag instead of calcareous material was identified as a national technical support project, the process technical scheme can utilize waste heat during the firing process to the maximum, save investment cost and reduce floor area. The treatment of carbide slag in cement production system can get rid of waste discharged in chemical production such as PVC, preventing environment pollution.

The Comonay's research of technology of getting rid of urban household garbage and sludge with cement furnace has gained new achievements. Garbage is used as fuel for burning cement, or garbage is incinerated to generate electricity, and the clinker after incinerating is used for making cement, really realizing harmless treatment. Based on the research on sludge performance, the process specific to dehydrated dry sludge with high adaptability and comprehensive application of energy was put forward. The process can make the most of waste heat in cement furnace and use the heat acquired in dry sludge burning to decompose raw material and to maintain temperature, meanwhile, the heat generated in the process of sludge burning can also be used to dry wet sludge.

According to date, compared with the third generation grate cooler developed by Sinoma International, the forth generation S type grate cooler's unit grate output increases by 10%~20%, unit clinker power consumption decreases by 15%, second and blast temperature increases 30°C on the average, system civil construction expense decreases about 1.5 million yuan. The technical equipment was listed as the second of the ten hot technologies in Chinese cement industry in 2008 and has been put into application in industrial production and manufacture by now.

In the aspect of environment protection technology, the new type bag dust collector developed by the Company recently has a fine dust emission amount below 30mg/m³, which is lower than 50mg/m³, the limit value. The equipment and technology of process of reducing NO_x emission in predecomposing furnace under development is composed of technical measures including fractional combustion, combustor with low NO_x emission and optional catalytic reduction, etc. The emission value can be reduced to below 200 mg/Nm³(10%O₂) from >800mg/Nm³(10%O₂) of ordinary predecomposing furnace.

3. For investment construction, the Company has optimized design, reduced construction cost, ensuring that technical and economic indexes not only meet customers' requirement but also reduce consumption, and creating contribution value for customers.

The Company determines the range and layout of project construction reasonably through comparing and selecting from multiple schemes based on specific construction conditions of the projects. The Company optimizes design in the aspects of mine, general plan, process, building, structure and equipment, etc., saves land and investment and reduces construction period to the maximum, giving customers optimal investment benefit.

The Company establishes geologic model of deposit, carrying out research and analysis of chemical composition of ore, bastard, stratum and wall rock near ore and geological design. The top wall, bastard, covering soil and fissure soil of ore is used as the raw material of cement. Peeled matter is mated into ore to the maximum.

In the aspect of equipment application, based on the principle of reliable performance, advanced technology, economical and practical, energy saving and consumption reduction, under the condition of ensured steady and reliable equipment operation, guaranteed product quality and environment protection level, and satisfied production requirement, the Company simplifies technique process and applies home-made equipment as much as possible, places equipment in the open air and stores raw materials stack shed, avoids “fat beam and pillar” in civil engineering design, applies steel frame and support as tower in furnace outlet and steel pipe concrete as frame pillar with minimum amount of steel, changes concrete chimney into steel chimney in furnace outlet, applies open building as much as possible, replaces fence wall with rail for guarding and safety, and achieves concise, lively and artistic form of building.

III. Emphasized quality level and management efficiency of projects, and strengthened waste treatment management of engineering

With research and development as pathfinding, with technology and equipment as support, with spare part service as supplement, and with main contract as the carrier to realize value, the Company provides service for domestic and foreign cement manufacturers. With advanced technology, products with high performance price ratio and professional service, the Company gradually has occupied international high-end market, and will become international leading “technical service provider, equipment manufacturer, engineering contractor and spare parts supplier” in five years.

In 2008, the Company had many scattered projects under construction with heavy production task and strained resource. The Company arranged resource comprehensively with emphasis on the performance in major projects and strengthened project management capacity. The production system has stood the severe test.

The Company further perfected the process of project management, paid attention to the quality and level of design and construction, ensured the effect of construction, provided quality service for customers, and actually kept the promise of making profit for customers. The Company brought main contract project management into a management system with the “trinity” of quality, environment and occupational health and safety, strengthened front-to-back management and supervising in various links of main contract project including purchase, supervision, logistics, contract management, cost control and engineering service, etc., and ensured the smooth implementation of projects under construction. During the implementation process, based on the concept of “with customers as focus, to serve customers with all”, the Company overcame the impact of external negative factors such as financial crisis, enlarged investment in resource and optimized technology and construction scheme, strictly controlled the quality, construction period and cost of projects, ensured excellent construction effect and investment benefit, and created value for customers.

Facing the situation of rising price of crude fuel and increasing uncertain factors, the Company properly controlled the rhythm of project construction, used every conceivable means to reduce project cost, and brought

our own advantage of design and consultation at the same time. Civil construction specialty carried out the reform of structure classifying design; process specialty executed standardization construction; and electric specialty perfected the combination between CAD drawing software and special software, enhancing the capacity of implementing projects. The Company introduced regionalized management to reduce management layers, pressing the management layer of the Company more close to customers and improving the efficiency of project decision-making, the efficiency of management and the use efficiency of regional resource.

In 2008, the Company successfully completed many projects of engineering design, engineering installation and main contract. Many cement production lines with main contract construction were smoothly put into operation, including Saudi Arabia SCC double ten thousand line, TCC second phase 2×6000t/d in Guigang, Vietnam 4000t/d in Xining, Lafarge 2000t/d in Zambia, Lafarge 1500t/d in Ecuador, Ankang Yaobo 4000t/d, etc. Main contract projects of cement production line of Saudi Arabia RCC5000t/d, TCC second phase 2×6000t/d and Dujiang Lafarge second line 5000t/d obtained certificate of engineering performing issued by proprietor. After two years' construction, the main contract project of Saudi Arabia SCC2×10000t/d with significant influence in the world was successfully ignited in April 2008 and output cement in August 2008. The smooth construction of SCC indicated that the Company had reached a new high degree in production management, and the success greatly promotes the expansion of Company brand. In the context of insufficient integration of Company resource, the performance of SCC in the organization of production system and team spirit became the model of the Company's production management activities. Saudi Arabia RCC 5000t/d main contract project obtained final acceptance certificate (FAC) issued by the proprietor, which has been the first FAC issued in Saudi Arabia market and the first FAC Chinese companies have obtained in Saudi Arabia. By the end of 2008, four production lines of first phase and second phase of TCC in Yingde had obtained certificate of engineering performing issued by proprietors, and the four production lines of first phase and four phase of TCC in Guigang had been put into operation successfully. Guo Qingsong, the Chairman of TCC, once said that "TCC resigns its cement engineering business in the main land to Sinoma International."

During the earthquake in Wenchuan, the main buildings and equipment of the project of Lafarge second phase in Dujiangyan contracted by Sinoma International stood the severe test, without building collapse or equipment damage within the plant. The project was reviewed favourably by the proprietor party and obtained certificate of engineering performing issued by proprietor. Besides, the Company has gained the main contract project of Dujiangyan third line. Iraq SCP main contract project operated by Suzhou Sinoma with Pattern B of the Company satisfied the proprietor, who expressed their intention to assign the construction of a new production line. The excellent performance of production activities became the powerful support for the market exploitation and continuous operation of the Company.

2. The Company intensifies waste treatment and disposal before and after engineering implementation and the recycling and comprehensive utilization of abandoned product, enhancing the Company's competitiveness in environment protection and improving the Company's social competitiveness

(1) Site construction

During the construction of main contract engineering, the Company applied a scheme of water and soil conservation with the combination of engineering measures and botanical measures. The Company reduced the amount of earthwork excavation with the balance of excavating and filling, reduced the emission of contamination harmlessly as much as possible with, took revegetation measures such as land reclamation, tree planting and grass planting, etc. on idle work surface after excavation at the proper time, and protected the ecological environment on construction site. The waste during the process of construction and installation, such as scrapped construction materials including ferrous waste, waste cable and wire, were handled by collecting, recycling or comprehensive utilizing. At the same time, the Company established the consciousness of water conservation and water resource protection. Pipe network of water supply was inspected from time to time and was repaired in case of runout, sprung out or leakage found. The switch was closed after use. The Company cleaned fire pool and the water tank on the roof of office building, ensuring that water source for office met the standard.

(2) Equipment manufacture base

The waste generated in the process of production mainly included metal chips, residual steel materials and used oil. Chips and residual steel materials generated in mechanical working were classified in material trademark and stored, especially nonferrous metal chips were measured and recycled. Waste materials that can not be recycled as product were sold to the used material recycling companies for recycling treatment application. Usable used oil was filtered and precipitated and then used as cooling lubricant in mechanical working. Oil material without recycling application value for enterprise was sold to the used material recycling companies for recycling.

IV. Followed the operation philosophy of returning to the society and actively assumed the social responsibility of enterprise

1. The Company actively operated, engaged in social public welfare, and contributed to the society.

In 2008, Sinoma International actively responded to the appeal of the group, donating 200000 yuan to Hope Schools in Xinjiang and contributing clothes and money to the mass in depressed area through community and charity. Along with rapid development, the enterprise actively took in social human resource to solve the employment of peasants without territory and urban laid-off workers, providing a large number of job opportunities for the society and promoting social harmony.

Meanwhile, with the love fund of Tianjin Cement Institute Co., Ltd. as carrier, the Sinoma helped personnel solve practical difficulty, donated for the rare disaster of snow and low temperature freezing in most place in south China, organized the activity of “assisting disaster area tuition assistance”, donated 500000 yuan

to build primaries schools for minorities in Guizhou and Xinjiang, and revealing good sense of social responsibility of enterprise and personnel.

Based on the contruction work of civilized unit, civilized industry and civilized city, the Company actively participated in community activities and communicated with the industry and different clubs, realizing the harmonious interaction between the enterprise and the society. The staff actively participated in the donation for the earthquake in Wenchuan, assisting disaster area with practical actions. In the activity of creating national civilized city in Nanjing, the Company organized relevant propaganda and education training with institute network and big screen, and organized the activity of knowledge quiz “Creating Civilized City” with personnel participation rate of 95%.

2. The Company actively assisted the earthquake area with contribution of money and goods, earnestly performing the social responsibility of enterprise.

When the large earthquake in Wenchuan took place on May 12, 2008, Sinoma International deployed anti-earthquake activity and ensured safety and guaranttred personnel’s life as soon as possible, ensuring the life security of personnel and the wealth security of the collectivity. When the disaster happened, all the officers and personnel were united as one, help eached other with fraternal love, overcame the hardship together, held their position and actively restore production. The Company organized love activity of anti-earthquake and disaster relief, coordinated with local government to send multiple experts to disaster areas such as Dujiangyan for the service of consultation of building safety of industrial enterprise, participating in the planning plan of building rebuilt after disaster. Meanwhile, the Company carried out a series of work of anti-earthquake and disaster relief immediately to solve the difficulty of cement manufacturer in disaster area, which was rewarded by the governments the companies were located, wherein, Tianjin Institute Co., Ltd. was awarded “Caritas Trophy” of Tianjin Red Cross. The Company felt concerned about disaster area, managed to perform well in the work of anti-earthquake and disaster relief. Since the earthquake in Sichuan took place, Sinoma International and the staff have donated more than 6 million yuan for the disaster area.

V. Followed the value philosophy of people first, and emphasized the health and occupational development of personnel

The Company views it as the responsibility of the enterprise to care about, support and promote the development of personnel, fully taking the vital interest of personnel. The Company continued to implemented *Labor Contract Law* and *Implementation Regulations of Labor Contract Law* of the People’s Republic of China. The Company established *Regulations of Labor Contract Management*, and signed written Contract of Labor with all personnel of practical labor relationship, defining the rights and obligations of both parties. No labor dispute and lawsuit occurred in 2008. When the global financial crisis took place in 2008, the Company neither cut staff nor cut salary, ensuring a stable team of personnel.

The Company reinforced the education of training development and career design of personnel. The Company paid attention to personnel career design management by establishing the mechanism of talent development, selection and training, provided personnel with multiple channels of individual career development such as technical expert type, technical management type, design project management type, engineering project management type, production operation management type, production manufacture management type and function management, etc., combining the individual growth of personnel and enterprise development organically. The Company always forged and trained talents in production practice, in particular, the Company placed young personnel with development potential in key posts and the front line of major task to stand the test and to accumulate experience. During the practice of assuming heavy responsibility, the outstanding young personnel was forged into technical and management backbone. The Company actively carried out the accrediting of various professional technical titles, encouraging technical personnel to improve technical service level constantly.

The Company has established the management system of labor safety and sanitation and occupational health and safety, perfecting the welfare and remuneration of personnel. The Company paid attention to the propaganda of occupational health knowledge and occupational disease prevention measures and labor safety and sanitation, so as to reduce occupational hazard. Medical staff gave medical treatment to personnel regularly on work site and carried out annual comprehensive health examination for personnel.

The Company paid salary to personnel in due time and in full according to the distribution principle of “giving priority to efficiency with due consideration to fairness”. The Company strictly implemented national social security policy and housing fund regulations, paying endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund for personnel in due time and in full. The Company established and implemented complementary welfare systems such as *Interim Method of Complementary Medical Reimburse Management for Hospitalized Personnel*, providing more perfect welfare and remuneration for personnel. The Company strengthened the supervising and management of salary payment to subcontract team, effectively guaranteeing the salary payment of labors.

Based on the management guideline of “technical innovation, excellent service, people first, environment protection, constant improvement, harmony and win-win”, Sinoma International was engaged in the innovation and advancement of cement production technology and equipment, enhancing the enterprise’s capacity of independent innovation and comprehensive competitiveness, ensuring the maintenance and increase of value of state-owned assets, and promoting the sustainable development of economy. By actively exploiting new way of energy saving and emission reduction and circular economy development in cement industry, the Company increased investment in research and development and promoted technical development with emphasis on energy saving and emission reduction, environment pollution reduction, enhancing the use efficiency of resource and realizing clean production in cement industry, realizing the sustainable development of environment and ecology. The Company paid attention to establishing the management system of occupational health and safety, protected personnel benefit, shared development achievements with all stakeholders, actively

devoted to social public welfare, emphasized the unification of enterprise development and social harmony, and promoted the sustainable development of the society.

As a listed company, while creating wealth for shareholders and realizing maximum wealth of shareholders, Sinoma International performed our social responsibility as an industry leader in cement engineering industry, actually realizing the unification of economic benefit and social benefit. The enterprise maintained sustainable development in economy, society and ecological environment. In 2009, the Company will redouble our effort, with increasing Company achievement, the Company will continue to perform our social responsibility and make due contribution to social development.

Sinoma International Engineering Co., Ltd.

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