

2010

SINOMA International Engineering Co

2010 Annual Report

Sinoma
中国中材

中国中材国际工程股份有限公司
Sinoma International Engineering Co., Ltd.

2010/12/31



SINOMA International Engineering Co., Ltd.
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2010 Annual Report



1. Analysis of global cement technologies and equipment and engineering market environment for the period.

The domestic market

Year 2010 saw the largest number of new dry-process cement production lines (203) put into operation, the smallest number of newly-commenced production lines (38) over the past 5 years, and the largest amount of capacity closed (110 million tons) in China. For 2010, the cement output in China stood at 1.87 billion tons, rising by 15.5% over the previous year.

The international market

In 2010, the global cement consumption exceeded 3 billion tons, harvesting a rise of 4%. The contractual volume of newly-added cement capacity (not including China) was 65 million tons, most of which came from India, North Africa, South America and part of Asia.

2. Review of SINOMA operations in the report period

In 2010, SINOMA management proposed the strategic adjustment program of “optimizing the structure and improving the allocation of resources”. Steered by the program, SINOMA made greater efforts to integrate the internal resources and explore the strategic markets. By overcoming the pressure incurred by the RMB appreciation, inflation and complex environment in implementing the overseas projects, SINOMA achieved successfully the targets of production and operations.

(1) The core business grew steadily and the position in the international market was consolidated

In 2010, the SINOMA's core business kept growing in a healthy and steady way with its major business indicators rising rapidly. In the report period, SINOMA achieved 23.933 billion Yuan in revenues, rising by 32.86% over the previous year. The total profit stood at 1.803 billion Yuan, up by 67.59%. The net profit attributable to shareholders of listed company was 1.426 billion Yuan, increasing by 91.58% over the previous year.

Also in 2010, SINOMA worked even harder to explore the markets in the emerging economies by adjusting its business model to cater to the market demands. In 2010, SINOMA signed new contracts worth 24 billion Yuan, up by 17% over the previous year, of which the overseas contracts were worth 15 billion Yuan (including the letters of intent worth 5 billion Yuan), and the domestic contracts were worth 9 billion Yuan, with the overseas contractual value accounting for 62.5% of the total. According to the relevant statistics, in terms of the new contractual value in 2010, SINOMA occupied 37% of the global market (not including China), still ranking No.1 in the world.

(2) Focusing on owner satisfaction and improving contractual performance level

In 2010, SINOMA fulfilled its heavy workload. By reinforcing the integrated engineering management and business chain, SINOMA upgraded the owner satisfaction. Seven projects including the Vietnam Vinakansai Project and Saudi Arabia RCC Project Phase II were awarded the final acceptance or temporary certificates. Many production lines such as Albania TITAN were completed and put into operation. And a few key projects such as that in Syria were going on smoothly. Vietnam Tay Ninh Project and Shoto Project won the “Vietnam Gold Cup for Engineering and Construction”. Besides, the Vietnam Tay Ninh Project and Turkey TRACIM Project won the silver and bronze prizes of “Excellent National General Contracted Engineering” respectively.

(3) Upgrading the technological competitiveness and promoting the continuous growth of SINOMA

In 2010, SINOMA launched 110 researches about cement engineering and relevant R&D initiatives. The government-supported research titled as “energy-efficient and emission-reduction technologies and equipment in the new dry-process cement production lines” was going on smoothly, making constant technological progress in low carbon applications, energy efficiency and emission reduction. The “study of new dry-process cement clinker system optimizing technologies and equipment”, the “study of disposal technologies and equipment for industrial & urban wastes in the cement kilns”, the “study of disposal technologies and equipment for urban household wastes in the cement kilns”, and the “study of

carbide slag cement scale application technologies and equipment” all finalized the study process and equipment development, and were applied. While strengthening the technical equipment R&D work, SINOMA also emphasized on the theoretical studies and made great results.

(4) Optimizing the organizational structure and improving the efficiency in allocating resources

In 2010, SINOMA painstakingly optimized its organizational structure based on the principle of integrating its business units, thus laying a solid foundation for the subsequent moves to improve the efficiency in resource allocation. It kicked off the reorganization of Tianjin Cement Design and Research Institute (TCDRI) and SINOMA Contraction Co., Ltd. After the reorganization was finalized, the cement engineering resources of these two companies were included into SINOMA International Tianjin Branch. Besides, the International Marketing Corporation was established to explore and manage the international market.

(5) Promoting the implementation of diversified development strategy of limited-related industries and fostering new business

In 2010, SINOMA, in the principle of boldness and steadiness, actively explored the new business. It was making smooth progress in the disposal of urban household garbage, sewage sludge and other wastes by using the cement kilns, solar photovoltaic EPC business and wind power EPC. By extending the traditional industrial chain, SINOMA was also making rapid progress in operating and maintaining its spare parts business and production lines.

(6) Enhancing corporate governance and building strong foundation for further growth

In 2010, SINOMA enhanced the information disclosure and upgraded the level of disclosure. It strengthened the training program on the internal related-party transactions and regulated the routine related-party transactions. Besides, SINOMA improved the proposal review and approval procedure of its subsidiaries and regulated the decision-making of major issues of borrowing loans, guaranteeing, mergers, acquisitions, selling the property rights (equities), investing, expanding the capital, and setting up the overseas offices. SINOMA won the title of “the Most Dynamic Newly-listed Company in 20 Years of the Chinese Securities Market”, the Golden Roundtable Prize of “the Best Board of Directors of the Chinese Public Companies”, “the Best Board of Directors in the Chinese Main Board Public Companies for 2010”, “the Best Board of Directors in the Chinese State-controlled Public Companies for 2010” and the “Top 100 Chinese Golden Cow Public Companies”.

3. Outlook

(1) Industry trend

The domestic market

1) As far as the cement demand is concerned, the multiple region economic development campaigns are being implemented in China, the government will make huge investment in the high-speed railways, highways, water conservancy projects and low-income housing projects, and the urbanization and new countryside development campaigns will go even deeper. These elements are the basis and driving force for the rising demand for cement. In such situation, it is expected that 2011 will see increase in the newly-developed cement production lines in China.

2) As far as the industry policy is concerned, in accordance with the *Few Guidelines about Curbing the Capacity Surplus of Certain Industries and Redundant Development to Steer the Health Growth of Industries* issued by the State Council's Reform and Development Commission, China will eliminate all the backward cement capacity by 2012, which is now standing at 320 million tons. It is expected that China will eliminate the backward cement capacity of above 120 million tons.

3) As a few policies concerning energy efficiency and emission reduction in the cement industry such as the *Air Pollutant Emission Standard for the Cement Industry* are implemented down to the earth, we will see more cement production line technical upgrading projects. There is a huge market for the technical renovation of grinding systems, and upgrading electrical dust precipitation to fabric dust collection in the cement production lines. The providers of systematic solutions will enjoy great competitive advantage.

The overseas market

1) As the global economy recovers gradually the international credit market becomes loose, in particular the rapid growth of the emerging economies, the global cement investment will rise too. It is predicted that in the following 3 to 5 years, the newly-added cement kiln capacity will exceed 75 million tons in the world (not including China) with India, Russia, Brazil, North Africa, Middle East and South America having the greatest demand.

2) The backward cement production lines in the world will continue to take a big share. As the economy recovers and the environmental protection policies go stricter, it is expected that each year will see 10 million tons of kiln capacity facing technical upgrading or elimination in the world (not including China).

(2) Future opportunities and challenges faced by SINOMA

Opportunities:

1) As the global economy is gradually recovering from the financial crisis, some underdeveloped regions with backward infrastructures and certain countries have shown the momentum of rapid economic growth. In the next years, the cement production lines will probably welcome another round of increase in the world.

2) As the Chinese economy grows and the stricter environmental protection policies are implemented, the infrastructure development and elimination of backward cement capacity will be sped up.

3) SINOMA is increasing its market shares, accumulating the experience of managing the international projects, building a stronger brand and even better relationship with the clients. These constitute the significant opportunities for the future growth of SINOMA.

Challenges:

1) The recovery process of the world economy is volatile, leading to many uncertainty factors for the cement technological equipment and engineering.

2) The Chinese macro-economic control policies are still taking effect, curbing the demand for the new cement production lines.

3) The inflation trend in China is going on, the international commodity price keeps rising, RMB still faces the great appreciation pressure, the labor cost is rising and SINOMA is facing greater pressure while controlling the cost.

(3) Business plan for 2011

In 2011, SINOMA plans to achieve at least 15% growth in sales revenues, at least 16% growth in net profits attributable to the shareholders of the listed company, and at least 15% growth in new contract value.

1) Enhancing the exploration of major regional markets to maintain the steady market growth

SINOMA will fully take its brand advantage, employ the influence of its built projects, consolidate its traditional marketplace, vigorously explore the emerging markets, in particular the markets in west China to maintain the steady market growth. At the same time, SINOMA will diversify its business models and improve the global operations while tailoring to the needs of the global market.

2) Enhancing the allocation of resources, controlling the risks and ensuring the contract performance

Within the new framework of organizational structure, SINOMA will enhance the allocation of resources, and improve the integrated management of engineering design and management, equipment manufacturing and supply to ensure the contract performance. It will also strengthen the project cost control and risk management to improve the overall operations.

3) Deepening the integration and innovative development, and improving the contributions of equipment business

SINOMA will work even harder to integrate the internal equipment resources, input more in the R&D, and develop its own technological innovation regime and high-end equipment manufacturing matching that of Germany. It will take full use of its integrate organization effect, and improve the self-supply rate of

EPC equipment. SINOMA will also explore greatly the single-machine market and improve the self-operating rate. It will march into the relevant equipment manufacturing industry in an effort to foster new profit growth point.

4) Focusing the theme and highlight the key points to upgrade the technological contents for SINOMA development

While considering its industry development plan, SINOMA will make further studies about the trend of industry technologies. It will focus on developing core technologies, in particular those of low-carbon applications, energy efficiency and emission reduction. It will make great efforts to make new breakthrough in the use of cement industry EP fuels, applications of cement industry cycle economy, energy efficiency and energy consumption reduction of large-scale cement engineering technologies and equipment, emission reduction of harmful materials, and garbage burning equipment and engineering applications. Besides, SINOMA will strengthen the R&D in cement types, material performance and other basic researches to maintain the leading position in the R&D.

5) Giving full play to SINOMA advantages, seeking breakthrough and fostering new growth points

While consolidating the cement technologies, equipment and engineering business, SINOMA will implement the diversified development strategy of related industries by fostering new business and increasing their business shares. By taking full advantage in technologies, branding and business model, SINOMA will develop its solid water disposal, solar photovoltaic engineering, and wind power engineering. By taking advantage of its built projects, SINOMA will develop the production line operation and maintenance, spare parts and spare materials.

Financial Statement**Consolidated Balance Sheet**

December 31, 2010

Prepared by: Sinoma International Engineering Co., Ltd.

Unit: Yuan Currency: RMB

Items	Notes	Period-end balance	Year-beginning balance
Floating assets:			
Currency funds	VII.1	8,354,613,278.78	7,482,054,439.37
Settlement provisions			
Placements			
transaction financial assets	VII.2	34,464,417.90	13,549,500.00
Notes receivable	VII.3	492,375,678.56	221,335,603.00
Accounts receivable	VII.4	1,244,962,944.21	1,150,562,307.94
Prepayments	VII.6	2,927,848,326.88	3,335,561,432.02
Premiums receivable			
Reinsurance receivables			
Reinsurance contract reserve			
Interest receivable			
Dividends receivable			
Other receivables	VII.5	284,411,675.98	336,425,304.78
Financial assets purchased under resale			
Inventory	VII.7	2,325,138,297.34	2,475,557,626.00
Non-current assets due within one year			
Other current assets			
Total current assets		15,663,814,619.65	15,015,046,213.11
Noncurrent assets:			
Entrusted loans and advances			
Available for sale financial assets	VII.8	2,591,064.56	3,844,252.50
Held to maturity assets			
Long-term receivables			
Long-term equity investments	VII.10	63,185,792.22	56,622,692.43
Investment property	VII.11	51,651,515.17	40,397,843.18
Fixed assets	VII.12	1,470,699,377.90	1,232,963,745.14

Construction in progress	VII.13	42,998,871.43	91,396,643.36
Construction materials	VII.14	71,600.00	71,600.00
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	VII.15	336,415,721.96	289,840,272.09
Development expenditure			
Goodwill			
Long-term deferred and prepaid expenses	VII.16	57,373,158.35	115,412,769.78
Deferred income tax assets	VII.17	106,816,645.18	80,849,395.50
Other noncurrent assets			
Total noncurrent assets		2,131,803,746.77	1,911,399,213.98
Total assets		17,795,618,366.42	16,926,445,427.09
Current liabilities			
Short-term loans	VII.19	198,000,000.00	69,000,000.00
Capital borrowed from the central bank			
Deposits taking and interbank deposits			
Capital borrowed from other banks			
Transaction financial liabilities	VII.20		648,000.00
Notes payable	VII.21	149,208,015.44	182,127,219.29
Accounts payable	VII.22	4,158,176,206.94	3,194,588,660.66
Items received in advance	VII.23	8,247,554,575.17	9,908,508,623.45
Financial assets sold under repurchase agreements			
Handling charges and commissions			
Staff remuneration payables	VII.24	221,794,519.28	179,617,816.11
Taxes payable	VII.25	95,441,347.20	-96,735,794.78
Interest payable			

Dividends payable	VII.26	3,722,226.75	3,682,222.82
Other payables	VII.27	477,156,246.54	468,493,408.50
Re-insurance payables			
Reserve fund for insurance contract			
Acting trading securities			
Acting underwriting securities			
Noncurrent liabilities due within one year	VII.29		30,000,000.00
Other current liabilities	VII.30	441,895,251.97	405,890,591.66
Total current liabilities		13,992,948,389.29	14,345,820,747.71
Noncurrent liabilities:			
Long-term loans	VII.31	145,000,000.00	65,000,000.00
Bonds payable			
Long-term payables	VII.32	67,376,694.36	227,307,373.52
Special payable	VII.33	30,024,957.74	34,500,829.85
Estimated liabilities	VII.28	30,144,681.23	2,364,522.07
Deferred income tax liabilities	VII.17	21,939,783.89	21,909,740.20
Other noncurrent liabilities	VII.34	27,080,728.88	23,150,148.96
Total noncurrent liabilities		321,566,846.10	374,232,614.60
Total liabilities		14,314,515,235.39	14,720,053,362.31
Owner's equity (or shareholder's equity):			
Paid-in capital (or equity)	VII.35	759,234,208.00	421,796,782.00
Capital surplus	VII.37	378,129,966.64	629,735,023.91
Less: treasury stock			
Special reserve	VII.36	30,032,777.43	22,735,918.57
Reserve	VII.38	144,684,719.89	91,494,940.73
General risk reserve			
Undistributed profits	VII.39	2,004,324,068.76	934,574,491.26
Currency translation differences		7,161,386.13	8,859,333.27
Total equity attributable to parent company		3,323,567,126.85	2,109,196,489.74
Minority interests		157,536,004.18	97,195,575.04
Total equity		3,481,103,131.03	2,206,392,064.78
Total liabilities and equity		17,795,618,366.42	16,926,445,427.09

Legal Representative: Wang Wei Principal in charge of accounting: Ni Jinru Principal in charge of accounting department: He Feng

Consolidated Profit Form

January-December, 2010

Unit: Yuan

Currency: RMB

Items	Notes	Amount of current period	Amount of previous period
I. Total income of operation		23,933,045,885.89	18,013,161,227.89
Including: operation income	VII. 40	23,933,045,885.89	18,013,161,227.89
Interest income			
Earned premium			
Handling fees and commission income			
II. Total cost of operation		22,265,002,967.06	16,933,045,979.63
Including: cost of operation	VII.40	20,589,059,376.30	15,737,962,510.21
Interest expenses			
Handling fees and commission expenses			
Surrender amount			
Indemnity of net expenses amount			
Withdrawal of net reserves amount of insurance contract			
Policy and dividend expenses			
Reinsurance fees			
Operation tax amount and addition	VII.41	180,477,144.47	121,199,960.88
Marketing fees	VII.42	136,721,116.97	118,477,350.28
Management fees	VII.43	1,161,122,782.55	983,770,227.37
Financial affairs fees	VII.44	23,469,551.41	-116,973,038.15
Losses of assets devaluation	VII.47	174,152,995.36	88,608,969.04
Add: fluctuation income of fair value ("-" for losses)	VII.45	21,562,917.90	16,783,552.80
Investment income ("-" for losses)	VII.46	67,178,711.18	-58,595,983.74
Including: income of investment in associated enterprises and joint venture			
Remittance income ("-" for losses)			
III. Operation profit ("-" for losses)		1,756,784,547.91	1,038,302,817.32
Add: income rather than operation	VII.48	95,406,288.38	58,496,039.04
Deduct: expenses rather than operation	VII.49	48,723,326.49	20,679,827.97
Including: losses of handling non-current assets			
VI: Total profit ("-" for total losses)		1,803,467,509.80	1,076,119,028.39
Decrease: income tax	VII.50	349,475,686.34	253,935,680.43
V: Net profit ("-" for net losses)		1,453,991,823.46	822,183,347.96

Net profit of owner of parent company		1,425,606,800.18	744,141,814.18
Losses of minority shareholders		28,385,023.28	78,041,533.78
VI: Income of each share:			
(1) Basic income of each share	VII.51	1.88	1.03
(2) Dilution of each share	VII.51	1.88	1.03
VII. Other comprehensive income	VII.52	-2,999,052.28	7,193,785.18
VIII. Total comprehensive income		1,450,992,771.18	829,377,133.14
Total comprehensive income of owner of parent company		1,422,607,747.90	752,479,151.15
Total comprehensive income of minority shareholders		28,385,023.28	76,897,981.99

The net profit of integrated party under the same control in current period is -487,836.78 Yuan before integration.

Legal Representative: Wang Wei Principal in charge of accounting: Ni Jinrui

Principal of accounting department: He Feng

Consolidated Cash Flow Statement

From January to December of 2010

Unit: Yuan Currency: RMB

Items	Notes	Amount of current period	Amount of previous period
I. Cash flow arising from operating activities:			
Merchandises sales, providing cash received by labor service		22,567,029,784.24	17,967,306,074.92
Net increase in customers' deposits and deposits due from other banks			
Net increase in loans from central bank			
Net increase in capital borrowed from other financial organs			
Cash received from premium of the original insurance contract			
Net cash from re-insurance business			
Net increase in savings of the insured and investment funds			
Net increase in disposal of transactional financial assets			
Cash received from interests, handling charges and commissions			
Net increase in borrowed capital			
Net increase in repurchase business capital			
Refunds of taxes		593,729,768.92	500,859,388.32
Other received cash relating to operating activities	VII. 53	570,834,597.59	1,217,476,712.10
Sub-total of cash inflow from operating activities		23,731,594,150.75	19,685,642,175.34
Cash paid for		19,464,370,185.97	16,318,789,969.30

merchandise and labor service			
Net increase in customer lending and money advanced			
Net increase in deposits in central bank and other banks			
Cash paid for indemnity of the original insurance contract			
Cash paid for interests, handling charges and commissions			
Cash paid for dividend on insurance policy			
Cash paid to and for employees		979,434,811.72	839,824,335.44
Payments of taxes		813,533,348.94	689,918,133.43
Payment of other cash relating to operating activities	VII. 53	974,019,727.47	1,018,611,617.06
Sub-total of cash outflow from operating activities		22,231,358,074.10	18,867,144,055.23
Net cash flow arising from operating activities		1,500,236,076.65	818,498,120.11
II. Cash flow arising from investment activities:			
Cash received from investments withdrawal		4,307,156.00	491,234.86
Cash received from investments income		4,180,955.38	8,577,100.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,119,090.08	3,272,493.16
Net cash received from disposal of subsidiary companies and other business entities			
Other received cash relating to investment activities			1,527,790.53
Sub-total of cash inflow of		25,607,201.46	13,868,619.17

investment activities			
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		363,061,766.93	452,256,120.35
Cash paid for investments		277,524.00	81,578,061.71
Net increase in pledge loans			
Net cash paid for acquisition of subsidiary companies and other business entities		4,538,015.00	
Payment of other cash relating to investment activities			
Sub-total of cash outflow of investment activities		367,877,305.93	533,834,182.06
Net cash flow arising from investment activities		-342,270,104.47	-519,965,562.89
III. Cash flow arising from financing activities:			
Cash received from capital contributions		42,237,600.00	240,198.00
Including: cash received from investment from minority shareholders by subsidiary companies		35,187,600.00	240,198.00
Cash received from receipts of loans		298,000,000.00	222,000,000.00
Cash received from issuance of bonds			
Other received cash relating to financing activities			2,506,685,589.04
Sub-total of cash inflow of financing activities		340,237,600.00	2,728,925,787.04
Cash paid for debts		126,000,000.00	2,897,649,700.00
Cash paid for allocation of dividend, interests or interests payment		235,838,711.48	378,371,034.65
Including: dividends and profits paid to minority shareholders by		8,734,741.71	109,882,425.57

subsidiary companies			
Payment of other cash relating to financing activities	VII. 53	677,271.20	14,010,898.39
Sub-total of cash outflow of financing activities		362,515,982.68	3,290,031,633.04
Net cash flow arising from financing activities		-22,278,382.68	-561,105,846.00
IV. Impact on cash and cash equivalents by fluctuations in exchange		-74,912,405.97	325,929.51
V. Net increase in cash and cash equivalents		1,060,775,183.53	-262,247,359.27
Add: balance of period-beginning cash and cash equivalents		6,321,521,802.37	6,583,769,161.64
VI. Balance of period-end cash and cash equivalents		7,382,296,985.90	6,321,521,802.37

Legal Representative: Wang Wei

Principal in charge of accounting: Ni Jinrui

Principal

in charge of accounting department: He Feng